

The background of the cover is a photograph of a wooden interior. On the left, a vertical wooden beam is decorated with a series of colorful, teardrop-shaped cutouts in red, blue, green, and white. To the right, a wooden wall features a decorative pattern of vertical, rounded rectangular cutouts. The overall aesthetic is warm and modern, with a focus on natural wood textures and geometric patterns.

**THE GLASGOW
SCHOOL OF ART**

ANNUAL REPORT &
ACCOUNTS 2016-17

YEAR TO 31 JULY 2017

SC002271

THE GLASGOW SCHOOL OF ART
(Company Register No.SC002271)
Annual Report and Financial Statements
Year Ended 31 July 2017

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OFFICE BEARERS AND GOVERNORS
A Company Limited by Guarantee (Company Register No. SC002271)

Patron	H.R.H. The Prince of Wales, Duke of Rothesay
Hon. President	Mr Stewart Grimshaw
Hon. Vice President	Professor Anthony Jones
Chair	Ms Muriel Gray BA (Hons)
Vice Chair	Sir Muir Russell KCB FRSE
Director	Professor Tom Inns BEng (Hons) DIC MDes (RCA) PhD FRSA
Deputy Director	Professor Ken Neil MA (Hons) MFA PhD PGCert FHEA FRSA (from 1 September 2016)
Director of Finance and Resources	Mr Eliot S Leviten BSc. (Hons) FCA (until 31 December 2016) Mr Alastair Milloy BAcc FCCA (from 1 January 2017)
Registrar and Secretary	Dr Craig Williamson LLB (Hons), PG Cert MSc, PhD

Chairs of Committees 2016/17 (and early 2017/18)

Audit	Sir Muir Russell KCB FRSE (interim Chair until November 2016) Mr Charles Beattie FCCA (from November 2016)
Business and Estates	Ms Muriel Gray BA (Hons)
Human Resources	Mrs Linda McTavish CBE MA (Hons) (until June 2017) Professor Nora Kearney RGN, MSc (from July 2017)
Investment	Sir Muir Russell KCB FRSE
Mackintosh Restoration/Estates Development	Ms Eleanor McAllister OBE MA MSc FRSA
Museum & Archive	Professor Alison Yarrington BA (Hons) PhD FRSE FSA FRSA
Nominations	Ms Muriel Gray BA (Hons)
Occupational Health and Safety	Dr Janet Brown BSc PhD FInstP FRSA FRSE (until March 2017)*
Remuneration	Sir Muir Russell KCB FRSE (interim until October 2016) Mrs Linda McTavish CBE MA (Hons) (until June 2017) Professor Nora Kearney RGN, MSc (from July 2017)

** Occupational Health and Safety Committee is no longer a committee of the Board of Governors and is therefore no longer chaired by a Lay Governor*

Registered Office	167 Renfrew Street, Glasgow G3 6RQ
Solicitors	Thorntons Law LLP Whitehall House, 33 Yeaman Shore, Dundee DD1 4BJ
External Auditor	Scott Moncrieff 25 Bothwell St, Glasgow, G2 6NL
Internal Auditor	BDO LLP 70 York Street, Glasgow, G2 8JX
Principal Bankers	Bank of Scotland plc 235 Sauchiehall Street, Glasgow, G2 3EY
Registered Charity Number	SCO 12490

Copies of these accounts can be obtained by contacting the registered office

Strategic Report

1. Status and Ambition

1.1 Status

The Glasgow School of Art holds a unique and enviable position within UK higher education. We are Scotland's specialist university-level institution for the visual creative disciplines and through the success of our graduates, the quality of our teaching and research and our heritage inextricably rooted in the work of Charles Rennie Mackintosh, we enjoy both global significance and influence as one of Europe's leading Centres for studio-based learning and research. Alongside our global position is our place within Glasgow and Scotland and the role we have played in the economic and cultural renaissance of the City.

1.2 Ambition

Our ambition is to be a global leader in studio-based learning and research, collaborating locally, nationally and internationally, transforming thinking by developing creative approaches with new audiences. We have the following values:

- Disruption - encouraging critical thinking and experimentation;
- Diversity - in our students and staff, thought and outlook;
- Responsibility - to our planet, each other and those we work with;
- Place - our heritage, traditions and our locations; and
- Collaboration – with our students, colleagues and external parties

2. Performance in Year

2.1 Financial Performance

The Group Statement of Comprehensive Income on page 21 shows a group trading surplus of £1,459k (£36,152k surplus 2015/16) and total comprehensive income of £3,973k (£36,398k 2015/16). The large decrease in trading surplus is due to expenditure against the insurance settlement received in the previous year which due to the required accounting treatment under FRS102 was treated as income in the year 2015/16.

The total net assets of the Group increased by £4.0m to £63.4m and the cumulative Income and Expenditure Account decreased from £34.4m as at 31 July 2016 to £30.2m as at 31 July 2017. Heritage Assets were revalued during the year and increased from £10.8m to £13.0m at 31 July 2017. Cash and deposit balances have decreased from £42.1m to £34.5m during the year mainly due to the expenditure on the Mackintosh and Stow projects. Some of these monies have been placed on 1-12 month deposit. The group shows net current assets of £29.7m (£35.3m 2015/16).

The return on Endowment Asset Investments comprising dividend and bank interest was 2.12%, compared with 1.51% last year. The market value of the total Endowment assets held by the School increased from £3,719k to £4,288k an increase of £569k. The Board appointed Investment Committee oversees execution of appropriate investment strategies and monitors performance.

The Group Statement of Cash Flow shows a net outflow of £7,586k in the financial year (2015/16 inflow £36,277k).

Strategic Report (continued)

The Group results include items of an exceptional nature in terms of the Group's day to day trading activities. The reconciliation below, removes these items from the group's surplus:

	2017	2016
	£000s	£000s
Surplus per accounts	881	36,035
Deduct: Insurance income	-	(41,715)
Deduct: Development Trust surplus	(5,719)	(792)
Add back: Mackintosh refurbishment expenditure	2,875	3,321
Add back: Mackintosh business interruption expenditure	1,133	1,673
Add back: Net charge on pension scheme	1,159	865
Add back: Pension revaluation	-	-
Add back: Severance costs	181	215
Add back: Bad debt provision re related companies	-	295
	<u>510</u>	<u>(103)</u>

2.2 Financial Objectives

The financial sustainability of GSA is as important as its academic sustainability and between 2016/17 and 2018/19 the School seeks to move towards an annual Core Operating Surplus of 5% of income, a financial objective that will be achieved through growth across GSA's entire portfolio including student numbers, diversification of research income, efficiencies through harmonisation of academic programme and academic school structures, more efficient use of GSA's estate, improved environmental sustainability, procurement, and the highest levels of Governance.

2.3 Treasury Management, Cashflow and Liquidity

The financing and liquidity and the School's exposure to financial risk is overseen by the Board though the Audit Committee and the Business Committee. Each year, forecasts are prepared which consider the cash position of the School given the assumed operational movements and planned investment in fixed assets and working capital. This enables the Business Committee to consider any future borrowing requirements in a timely manner. The School's non-endowment cash balances are primarily held in the form of interest bearing deposits with financial institutions. These balances can be invested in major clearing banks. The investment at 31 July 2017 was £20m deposited for a period of 12 months at rates of 0.90% - 1.05% per annum and £4m invested in a 32-day notice account at 0.32% per annum. Interest rates have remained low for some years now, but the situation is monitored regularly.

2.4 Going Concern

The Board considers that the School has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

2.5 Public Benefit

The School has charitable purposes that are only for the public benefit, as defined by Charities Legislation. These purposes must be carried out for the public benefit, which is an integral part of the purpose of the School. It is the opinion of the Board that the School has met its charitable objectives.

Strategic Report (continued)

2.6 Strategic Plan

The GSA Strategic Plan 2015-18 was approved by the Board of Governors during Academic Year 2014/15. This is a high-level document setting out GSA's ambitions over the next three years and aligns with the three-year outcome agreement with the Scottish Funding Council 2015-18. During 2016/17 work commenced on the development of the next three-year plan for 2018-21 which will be finalised during Academic Year 2017/18.

The ambitions detailed in the Strategic Plan and Outcome Agreements will be achieved through a series of strategies, strategic enablers, work streams and projects lead by members of the Executive Group and involving academic and professional support staff from across the School. This collaborative approach aims to ensure we both deliver and embed the development and delivery of our ambitions. During academic year 2016-17, the School continued to make substantial progress across each of the key strategic areas. Developments included continuing to grow student numbers, the launch of the School of Simulation and Visualisation, the development of new programmes, the launch of Open Studio, the development of a new approach to admissions, the second formal articulation through the associated student route, approval of the International Articulation Strategy, restructuring of our research and doctoral studies office to incorporate GSA's student enterprise activities creating a larger Research and Enterprise Office and significant progress on our estates developments currently focused on the refurbishment of the Mackintosh Building and former Stow College Building.

2.7 Key Performance Indicators

The Board is presented annually with Key Performance Indicators compared to targets covering a series of areas, the principal indicators being detailed below.

KPI measures	Actual 2014/15	Actual 2015/16	Actual 2016/17	Target 2016/17
% School Income non SFC *	36%	41%	43%	40%
Total Research & KTP income	£4.0m	£4.1m	£3.9m	£2.5m
Value of (non EU) overseas student income	£4.1m	£5.5m	£6.4m	£5.6m
% PG students**	21%	26%	24%	>21%
% Positive student feedback NSS	80%	74%	71%	80%
% Graduates in education/working after 6 months	92%	93%	93%	94%
Number of Students from MD20*** classification	19	30	38	32

*excludes insurance income ** Includes Diploma students *** Areas of Multiple Deprivation

The KPIs shown above were contained in the School's Strategic Plan 2015-2018.

2.8 Capital Projects

Capital Expenditure in the year was £8.6m, higher than the previous year's figure of £8.4m. The purchase of the former Stow building was completed in July 2016 at a cost of £6m. Total costs of the project to date are £3,261k which is included in Assets under Construction. The restoration work on the Mackintosh Building is progressing well. This second stage of work consists of some work that is restoration of damage and some that would be classed as improvement. The surveyor has estimated that 71% of the total project cost is repair work which will be expensed, with 29% expected to be improvements which will be capitalised. During 2016/17, £4,126k was capitalised in respect of the Mackintosh project and is included within assets in the course of construction.

2.9 Curriculum Developments

With support from the Board of Governors, GSA established a fifth academic school, the Innovation School, effective from session 2017-18. The Innovation School comprises elements from undergraduate Product Design and postgraduate pathways in Design Innovation from the erstwhile Institute of Design Innovation. The Forres campus is an important location for Innovation School delivery, by way of the Winter School and ongoing research endeavours.

The School of Fine Art successfully validated a new programme in Art Writing, developed by staff in Fine Art Critical Studies. The School of Simulation and Visualisation successfully validated new undergraduate programmes in Sound for the Moving Image and Design for Immersive Systems. The first cohorts will join GSA in session 2018-19.

2.10 Equality Statement

Working with difference and promoting equality underpins our ambition and purpose. Our studio based learning, research and collaboration transforms thinking and our individual and collective contributions influence the day to day lives of people across local and global communities. As a community we are committed to creating and sustaining learning and working environments where difference is

respected and the widest possible range of cultural and social perspectives are valued. We treat each other fairly, according to need, and minimise barriers to participation for all. By fostering environments in which difference nourishes new questions and possibilities and where respect is a catalyst for the removal of barriers, we support the learning and development of individuals and our collective contribution to the common good.

3. Principal Risks and Uncertainties

3.1 Key Risks

The GSA has an agreed Risk Management Framework which sets out how risk is identified, assessed and reported. Risk leadership is established through the GSA Executive Group with quarterly reports to the Audit Committee and the Board of Governors identifying changes in risk profile, the impact of our mitigation activities and shifts in the ranking of risks.

While the School aims to minimise its exposure to risk, we recognise that to achieve its objectives, a degree of risk should be accepted and managed appropriately. Specifically, the Executive Group, approved by the Audit Committee and the Board has identified significant risks faced by the School relating to:

- BREXIT, both the financial and cultural impact on GSA and its diverse student profile and our ability to recruit and retain international staff;
- The highly competitive operating environment and changing regulatory environment including the impact of performance in external benchmarking and metrics;
- The challenging financial environment and the need to ensure continued financial stability through growth in student fees, research and other income;
- Delivering the restoration of the Mackintosh Building and renovation of the former Stow building and associated philanthropic fundraising;
- Ensuring that our infrastructure (our Estate and IT) are appropriate for our changing academic requirements, growth plans and for delivering operational efficiency; and
- Maintaining our international standing and achieving our internationalisation ambition, which extends our global reach and the international experience of our staff and students.

The Internal Auditors reviewed the School-wide risk management process in 2015/16 and how it identifies, evaluates and manages risk with appropriate controls and actions put in place to mitigate risks identified. We will be reviewing our approach to risk evaluation during 2017-18.

3.2 Financial Risk Management

Foreign Currency Risk

The School does not enter into any significant foreign currency transactions. The Governors therefore consider the School is not exposed to any material foreign currency movement risk. Funds for the GS of A Singapore operation are maintained via bank accounts in Singapore. The only exposure would be due to movements between the declaration of a dividend payment and the actual transfer of that payment from Singapore to GSA and the intergroup balance. Exchange rate movements are monitored and the date of transfer of the dividend payment selected on this basis.

Credit Risk

The School is exposed to credit related losses in the event of non-performance by transaction counterparties but mitigates such risk by selecting only counterparties with high credit ratings.

Liquidity Risk

Operations are financed by SFC grants, student fees, research and consultancy contracts and bank balances. In addition, the School has an overdraft facility which it has not utilised. The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the School.

Cash Flow Risk

Following receipt of the insurance settlement monies, the School currently has £10m on deposit with each of Santander and Bank of Scotland, each with a term of 12 months, with interest rates of 0.9% - 1.05%. One deposit is due to mature in December 2017, and the other in March 2018. If possible, some funds will be reinvested, although the majority will be required to complete the work on the Mackintosh and Stow developments. In addition, there is £4m on 32-day notice at a rate of 0.3% with the Bank of Scotland. Interest rates remain low currently. There is some indication of a rate increase in the medium term, although there is no certainty.

Strategic Report (continued)

3.3 Health and Safety

The Director, on behalf of the Board of Governors, is responsible for the health and safety of all staff, students and visitors to the School and for adherence to the School's Health and Safety Policy. The School employs a Health and Safety Officer, a Health and Safety Advisor and a Fire Regulatory Compliance Officer to provide advice and assistance. Under the School's Health and Safety Policy, managers, staff and students all have individual responsibilities for health and safety.

4. Future Developments

4.1 Funding

The outlook for public sector funding for 2017/18 and onwards is very challenging, and there is the risk that the Scottish Funding Council will seek to further reduce the teaching funding provided to HE institutions from 1 August 2018. Scenario planning is currently being undertaken to investigate various options for mitigating any reduction in core teaching and research funding.

4.2 Estate

Work continues on the restoration of the Mackintosh Building, with Keir Construction progressing on time and within budget. The temporary roof has been dismantled and the building shell is virtually complete. Good progress has been made on the various client commissioned items, e.g. library lights and plastercasts. The library prototype was unveiled to the press on 8 September 2017. The expected date of completion is mid-February 2019.

GSA purchased the former Stow College Building on West Graham Street in July 2016. Work commenced in November 2016 to refurbish this building for use by the School of Fine Art. CBC Construction were appointed as the main contractor. Work is progressing on the lower floors and the final design plans for the upper floors is awaited. The project team are working on an occupancy date of September 2018.

The basement of the Blythswood Residences was converted to open plan office space for use by the Director of Marketing and Strategy and his staff and was occupied in December 2016 and has proved to be a success with staff.

4.3 Student Recruitment

The School continues to receive many more undergraduate applications than it has funded places and continues to enjoy a very high conversion rate between offers and enrolments. The School is able to attract a significant proportion of overseas students and it is the School's intention to increase the number of full-fee paying overseas students as well as the number of RUK and Home/EU PG students, as it is not allowed to offer more undergraduate places to Scottish/EU applicants. The marketing strategy for recruitment has been adapted to try to accommodate shifts in macro-economic events particularly the impact of Brexit on the future of EU student recruitment and the value of Sterling.

Student Fee income increased to £13.1m compared to £11.9m in the previous year. For entry 2017/18 the School has increased both its total undergraduate and postgraduate applications, from 6,148 in entry year 2016/17 to 6,380 in entry year 2017/18 reflecting the fact that currently the most difficult market is within the EU. Most of the increase in international applications has come from China where applications have increased by 54%, reflecting the success of GSA's long term investment in the market.

Our sixth cycle of recruitment to our undergraduate programmes in Singapore was successfully completed. The programme, in partnership with the Singapore Institute of Technology and Temasek Polytechnic, continues to be a popular choice for students, attracting a high calibre of applicant. The fourth Degree Show and graduation was held in Singapore in June 2017. Seven Interior Design students engaged in a live project with Kwong Wai Shiu Hospital to develop spatial narratives and potential products for a rehabilitation unit, and this was featured on television in March 2017.

4.4 Research Excellence Framework (REF)

Income from externally funded research and knowledge exchange projects, including consultancy, was £3.9m in 2016-17, a 4% decrease compared to 2015-16. Overall, the research funding environment remains highly competitive, with more restricted funds than in the period prior to the current strategic plan. Against this trend, a number of new funding streams have emerged in the past year, providing potential future opportunities for GSA. These include the Industrial Strategy Challenge Fund, which is likely to include creative industries initiatives, including through the AHRC (a key target for GSA), increased investment in the Knowledge Transfer Partnerships Scheme, and Global Challenges Research Fund/Newton Fund programmes focused on the contribution of UK research to development goals in low income countries. GSA's strategic plan for 2018-21 (currently in development) will set new research income objectives, including a planned increase in RCUK/UKRI funds.

4.5 Small Specialist Institution Status

The School has been designated by SFC as a Small Specialist Institution (SSI) which has led to additional funding to compensate for recognised diseconomies of scale.

4.6 Sustainability

The staff and student-run Sustainability in Action Group is working across the School to drive forward environmental issues within the curriculum and across the School's operations. The GSA community is being encouraged to reduce energy, water and resource use, and supports Scotland's future artists, designers and architects to help them react to, work with and communicate climate change in a positive and creative way. It has been an exciting year, including GSA's Radial Project winning the EUAC's prestigious Green Gown Award for student engagement.

Under a wider umbrella of "GSA Sustainability", the Sustainability Coordinator supports a wide range of curriculum interventions and well as student environmental, social and ethical-focused societies, often with links back to the curriculum. These include surplus food society Throwawaygourmet, GSA Beekeepers, ResLife in the halls of residence, FROGGs, the Garnethill community green space group, and initiatives such as phasing out chemical cleaning use and chlorinated paper, supporting organic textile use, the use of ethical silver and gold, low toxicity processes, better use and re-use of materials within practice, and supporting staff and student wellbeing projects. More information can be found at www.gsasustainability.org.uk.

5. Staff and Students

5.1 Student, graduate and staff successes

The Ash to Art auction raised more than £700k for GSA's Mackintosh Campus Appeal. There were 25 participating artists who contributed work to the auction, including Douglas Gordon, Sir Anthony Gormley, Anish Kapoor, Grayson Perry, Jenny Saville, David Shrigley and Rachel Whiteread. The auction received significant media coverage.

Alumni success at the 2016 Scottish BAFTAs – Communications Design alumnus Ross Hogg and Duncan Cowle's film *Isabella* won the award for best short film.

British-Palestinian artist, Rosalind Nashashibi was the 15th Glasgow School of Art graduate to be nominated for the Turner Prize.

GSA graduates received 7 of the 22 awards at the RSA New Contemporaries Awards 2017.

Painting alumna Lucy Skaer was a recipient of the Paul Hamlyn Foundation Awards for Artists, the largest individual awards made to visual artists and composers in the UK.

Textiles alumna Pam Hogg won the Fashion Icon award at the Scottish Fashion Awards 2016.

Fine Art Photography alumnus Mads Holm won the Jill Todd Photographic Award.

Eve Campbell, 3rd year Textiles won the inaugural Endura Prize worth £5,000, with a further 5 Fashion and Textiles students shortlisted.

Interaction Design student Pawel Kudel collaborated with Scottish Ballet on a ground-breaking digital dance installation.

Painting alumnus Gareth Reid won the Sky Portrait Artist of the Year award.

GSA graduates scooped top awards at New Designers 2017, including Textile Design alumna Nina Butler who was named New Designer of the Year.

GSA book "Reflections on an Art School" won gold at the 2017 Heist Awards which celebrate innovation in education marketing.

3 GSA students gained Fulbright Scholarships In New York, Florida and Edinburgh.

Rosslyn Chapel launched an app created by experts at the GSA and Historic Environment Scotland.

5.2 Staff

During the year 2016-17, several members of staff received internal promotions. Professor Paul Chapman was appointed Head of the School of Simulation and Visualisation, having received his professorship during the year, specialising in Computer Graphics and Virtual Environments. Ms Sally Stewart was appointed as Head of the Mackintosh School of Architecture, Ms Barbara Ridley to Head of the School of Design and Mr Gordon Hush to Head of the Innovation School. Mr Colin Kirkpatrick was appointed as Head of Research and Enterprise.

In addition to Paul Chapman, Mr Bruce Peter was promoted to Professor in Design History. Dr Nicky Bird, Dr Stuart Jeffery and Dr Sarah Smith have all been promoted to Readers.

5.3 Board of Governors

The recruitment of four new Lay Governors during 2015/16 was completed in October 2016, when Professor Nora Kearney and Mr Andrew Sutherland joined the Board. Three Lay Governors left the Board during 2016/17 – Dr Janet Brown, Mr Douglas Kinnaird and Mrs Linda McTavish – all having served the maximum period of office of nine years. Ms Kerry Aylin, the elected Staff Governor (Professional Support Staff) tragically died while in office. Ms Polly Christie was elected as Staff Governor (Professional Support Staff) from October 2017 onwards. Laura Glennie, President of the Students' Association, joined the Board in 2016/17 and was re-elected for the 2017/18 year. Recruitment of new Lay Governors was underway early in 2017/18, in anticipation of further Lay Governors reaching their maximum period of service by late 2018.

Professor Tom Inns
Director
11 December 2017

Muriel Gray
Chair

Directors' Report

(Incorporating the Responsibilities of the Board of Governors)

Governors Ex Officiis

B, MR/EDC, N	Prof. Tom Inns BEng (Hons) DIC MDes (RCA) PhD FRSA	Director of the School
M	Prof. Ken Neil MA (Hons) MFA PhD PGCert FHEA FRSA	Deputy Director of the School (from September 2016)
B, MR/EDC, M,H, N, OHS	Ms Laura Glennie	President of the Students' Association (from August 2016)

Appointed by the Board of Governors

A, N	Mr Charles Beattie FCCA*
B, I, MR/EDC	Mr Douglas Brown BA (Hons) Dipl Arch (Oxford) FRIAS RIBA*
A, N, OHS	Dr Janet Brown BSc PhD FInstP FRSA FRSE* (until March 2017)
B, MR/EDC, N,R	Ms Muriel Gray BA (Hons)*
H, R, N	Professor Nora Kearney RGN, MSc* (from October 2016) Mr Douglas Kinnaird BA CA* (until October 2016)
B, MR/EDC, N	Ms Eleanor McAllister OBE MA MSc FRSA*
H, N, R	Mrs Linda McTavish CBE MA(Hons)* (until June 2017)
A	Dr Susie Mitchell PhD*
B, MR/EDC	Ms Christa Reekie Mag.phil Dip Ed LLB Dip NP *
B, OHS	Mr Kenneth Ross OBE*
A, B, I,N,R	Sir Muir Russell KCB FRSE*
B	Mr Andrew Sutherland BAcc CA MCICM* (from October 2016) Ms Lesley Thomson*
M, N	Professor Alison Yarrington BA (Hons) PhD FRSE FSA FRSA *

Elected Members

H	Prof. Johnny Rodger BA, PhD, FHEA, PG Cert (L&T), PG Cert (Sup)	(Appointed by the Academic Council)
H	Ms Kerry Aylin BA (Hons) FHEA EADiM	Elected by the Professional Support Staff**
	Dr Sarah Smith BA MA PhD	Elected by the Academic Staff
M	Ms Polly Christie BA (Hons) MA	Elected by the Professional Support Staff (from October 2017)

Secretary to the Board of Governors

H, OHS	Dr Craig Williamson LLB (Hons), MSc, PhD (Registrar and Secretary)
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Directors' Report (continued)
(Incorporating the Responsibilities of the Board of Governors)

A – Member of Audit Committee
MR/EDC – Member of Mackintosh Restoration/
Estates Development Committee****

I – Member of Investment Committee

N – Member of Nominations Committee

OHS – Member of Occupational Health & Safety Committee*****

B – Member of Business & Estates Committee***

H – Member of Human Resources Committee

M – Member of Museum & Archive Committee

R – Member of Remuneration Committee

* denotes Independent Board Members

** Kerry Aylin died in April 2017.

*** The Business and Estates Committee will be renamed 'Business Committee' from 2017/18 onwards

**** The Mackintosh Restoration Committee was renamed as Estates Development Committee from May 2017 (and will be named 'Estates Committee' from 2017/18 onwards)

***** The Occupational Health and Safety Committee will no longer be a committee of the Board from 2017/18 onwards

Statement of Primary Responsibilities

The following statement is an extract from the Scottish Code of good Higher Education Governance:

The governing body shall adopt a Statement of Primary Responsibilities which shall include provisions relating to:

- *approving the mission and strategic vision of the Institution, long-term business plans, key performance indicators (KPIs) and annual budgets, and ensuring that these have due regard to the interests of stakeholders;*
- *appointing the Head of the Institution (the Director) as chief executive officer of the Institution and putting in place suitable arrangements for monitoring his/her performance. Both the appointment and the monitoring of performance of the Director shall include consultation with all members of the governing body;*
- *ensuring the quality of Institutional educational provision;*
- *ensuring adherence to the funding requirements specified by the Scottish Funding Council in its Financial Memorandum and other funding documents;*
- *ensuring the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, clear procedures for handling internal grievances and "whistleblowing" complaints, and for managing conflicts of interest; and*
- *monitoring institutional performance against plans and approved KPIs which, where possible and appropriate, should be benchmarked against other comparable institutions.*

Employment of Disabled Persons

People with disabilities are offered equal opportunities to enter employment and progress within the School. The School follows procedures designed to provide for fair consideration and selection of disabled applicants and to support their training and career development needs.

Employee and Student Involvement

Academic employees of the School elect one Governor to the Board of Governors and through the Academic Council appoint a second Governor. Professional support staff elect one Governor to the Board. The Students' Association plays a full role in the life of the School and the President is a full member of the Board of Governors. Governors, academic and support staff and students are represented on the Human Resources Committee, together with trade union representatives.

Creditor Payment Policy

It is the School's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the School and its suppliers, provided that all trading terms and conditions have been complied with. The School endorses the CBI Prompt Payment Code. At 31 July 2017 the School had an average of 21 days (2016: 9) purchases outstanding in trade creditors. With regard to the late payment of Commercial Debts (Interest) Act 1998 there are no matters to disclose.

Directors' Report (continued)
(Incorporating the Responsibilities of the Board of Governors)

Disclosure of information to the auditor

To the knowledge and belief of each of the persons who are directors at the time the report is approved:

- So far as the directors are aware, there is no relevant material audit information of which the School's auditor is unaware; and
- He/she has taken all the steps that ought reasonably to have been taken as a member of the Board, in order to make himself/ herself aware of any relevant information, and to establish that the School's auditor is aware of the information.

Responsibilities of the Board of Governors for Accounting and the Financial Statements

In accordance with the School's formal governance arrangements, the Board of Governors is responsible for the administration and management of the affairs of the School and is required to present audited accounts for each financial year.

The Board considers that the School has adequate resources to continue its operations for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the School and to enable it to ensure that the accounts are prepared in accordance with the School's Memorandum and Articles of Association, the Statement of Recommended Practice on Accounting for Further and Higher Education and other relevant accounting standards including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice). In addition, within the terms and conditions of the Financial Memorandum agreed between the Scottish Funding Council and the Board of Governors, the Board, 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 School and of the surplus or deficit and cash flows for that year.

In causing the accounts to be prepared, the Board has ensured 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
- accounts are prepared on the going concern basis unless it is inappropriate to presume that the School will continue in operation.

The Board has taken all reasonable steps 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 Funding Council and any other conditions which the Scottish Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the School and prevent and detect fraud; and
- secure the economical, efficient and effective management of the School's resources and expenditure.

By order of the Board

Ms Muriel Gray
Chair of the Board of Governors

Professor Tom Inns
Director

11 December 2017

Statement of Corporate Governance and Internal Control

The Glasgow School of Art's governance arrangements are defined through an Order of Council (Scottish Statutory Instrument) derived from the Further and Higher Education (Scotland) Act 1992. The School is also a Company Limited by Guarantee. The School is committed to employing best practice in all aspects of corporate governance. The School complies with the Scottish Code of Good HE Governance, published in July 2013. The School's Statement of Corporate Governance (revised and approved by the Board of Governors annually) complies fully with the Scottish Code. The School also complies with appropriate accounting standards and the Scottish Funding Council's Financial Memorandum.

Governing Body, Risk Management and Internal Controls

The School's Board of Governors is responsible for the School's system of internal control and for reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The process for reviewing the effectiveness of the system of internal control is through management reports and reports from the internal auditor to the various committees and, in particular, the Audit Committee, including scrutiny of the School's Risk Register and Business Continuity plans.

The Board of Governors comprises lay and academic persons appointed in accordance with the School's statutory regulations. The majority of Governors are non-executive and independent, serving alongside ex-officio and elected staff and student Governors. Lay Governors are not remunerated. Governors are appointed for a term of office not exceeding three years, at the conclusion of which they may be reappointed for up to two further terms of three years. The Assistant Secretary to the Board maintains a Register of Interests of members of the Board. All Governors are able to take independent professional advice in furtherance of their duties at the School's expense.

The roles of Chair and Vice-Chair(s) of the Board are separated from the role of the School's chief executive, the Director. The matters specially reserved to the Board for decision are set out in the statutory regulations of the School, by custom and under the Financial Memorandum with the Scottish Funding Council. The Board holds to itself the responsibilities for the ongoing strategic direction of the School, approval of major developments, and receipt of regular reports from Executive Officers on the day-to-day operations of its business. The Board meets at least five times a year (including an all-day strategic meeting) and has the following committees: Business, Audit, Estates, Investment, Human Resources, Museum and Archive, Remuneration and Nominations. All of these committees are formally constituted with terms of reference and all are chaired by lay members of the Board. (From 2017/18 onwards, the Business and Estates Committee was retitled 'Business Committee' and the Estates Development Committee was retitled 'Estates Committee')

The Business Committee, inter alia, recommends to the Board the School's annual revenue and capital budgets and monitors performance in relation to the approved budgets, together with the Audit Committee. The Business Committee is also responsible for the preparation of policy for the adequate provision of space to meet the requirements of the strategic plan and the monitoring of the effective management of the School's estate. The Business Committee normally meets four times per annum with both the External and Internal Auditors in attendance.

The Audit Committee is responsible for meeting with the External Auditor and Internal Auditor of the School and reviewing their findings. The Committee considers detailed reports together with recommendations for the improvement of the School's systems of internal control and management's response and implementation plans. It also receives and considers reports from the Scottish Funding Council (SFC) as they affect the School's business and monitors adherence with the regulatory requirements. It also recommends to the Board the Annual Accounts for approval. The Audit Committee usually meets four times per annum with both the External and Internal Auditor in attendance.

The School's Internal Audit service is outsourced to a professional firm of auditors, which operates in accordance with the requirements of the Scottish Funding Council's Financial Memorandum. The work of the internal audit service is informed by an analysis of the risks to which the School is exposed, and annual audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board on the recommendation of the Audit Committee. The Internal Auditor provides the governing body with an annual report on internal audit activity in the School. The report includes the Internal Auditor's independent opinion on the adequacy and effectiveness of the School's system of risk management, controls and governance processes.

The Investment Committee is responsible for recommending investment strategy to the Board and for monitoring investment performance, including oversight of the School's ethical investment policy. The Committee usually meets twice per annum.

The Human Resources Committee is responsible for the review of policy relating to the employment of staff and the monitoring of the effective management of these affairs and recommending policy to the Board. The School is responsible for ensuring that appropriate training is provided as required. The Committee usually meets four times per annum.

Statement of Corporate Governance and Internal Control (continued)

The Estates Committee oversees major estates projects and estates strategy, including oversight of the process of restoring the Mackintosh Building following the major fire of May 2014 and the purchase and refurbishment of the former Stow College Building. The Committee usually meets four times per annum.

The Museum and Archive Committee considers and makes recommendations on all matters relating to the School's Museum and Archive Collections. The Committee usually meets four times per annum.

The Remuneration Committee determines the remuneration of the most senior staff, including the Director. Details of remuneration for the year under review are specified in this report. The Committee also oversees severance payments made by the School. The Committee meets as and when required.

The Nominations Committee oversees and recommends to the Board the appointment and renewal of independent lay governors, and the appointment of Board office-holders. The Committee meets as and when required.

The Occupational Health and Safety Committee reviews and monitors various aspects of health and safety management. The Committee was defined as a Board committee until May 2017, when it became an internal committee of the School.

In conclusion, the Board is satisfied with the corporate governance and internal control arrangements in place.

Quality Assurance

The Quality Assurance Agency Scotland have confirmed that GSA's next Enhancement-led Institutional Review will be held in spring 2019. Preparations for this significant undertaking will be led by the Deputy Director (Academic), and will commence in 2017/18.

GSA's student retention remains one of the UK's highest at 91%. GSA's graduate destinations, as demonstrated in the DHLE remain solid: GSA achieved a response rate of 83% in the DHLE 2015/16 return, above the UK and Scottish average of 82.3% and 80.6% respectively. GSA's employment indicator (EI) for 2015/16 is 92.9%. This is 0.4% lower than last year's GSA EI performance and 1.4% below the UK average and 2.3% lower than the Scottish average.

GSA achieved a 75% response rate in the National Student Survey (NSS) in 2017. Overall satisfaction fell this year to 71.49%. In recent years, GSA has placed significant focus working to improve the NSS results, through instituting annual action plans at School-level and rounds of robust student activity. Further efforts will continue in 2017/18.

Corporate Strategy

The Director is responsible to the Board for the School's day-to-day management, policy, and the development and execution of the School's Strategic Plan. In respect of its strategic direction and responsibilities, the Board receives recommendations and advice from the Director.

The Director

The Director is the School's Chief Accountable Officer, is responsible for the proper use of funds received from the SFC, and has responsibility for reviewing the effectiveness of the system of internal control. The Director chairs the School's Executive Group and the Academic Council. The Director represents the School on Universities Scotland and other external bodies. Academic policy is devolved by the Board to the Director, as advised by Academic Council.

Statement of Corporate Governance and Internal Control (continued)

Attendance at meetings 2016/17

The attendance of the individual Governors at Board and major Committee meetings during 2016/17 was as follows:

	Board of Governors	Audit	Business & Estates
	5	4	4
Ms Kerry Aylin	3/4	-	-
Mr Charles Beattie	3/5	4/4	-
Mr Douglas Brown	5/5	-	4/4
Dr Janet Brown	2/4	0/3**	-
Ms Laura Glennie	4/5	-	4/4
Ms Muriel Gray	5/5	4/4*	4/4
Professor Tom Inns	5/5	4/4*	4/4
Mr Douglas Kinnaird	1/1	-	-
Professor Nora Kearney	5/5	-	-
Ms Eleanor McAllister	3/5	-	4/4
Mrs Linda McTavish	4/5	-	-
Dr Susie Mitchell	5/5	3/4	-
Professor Ken Neil	5/5	-	-
Ms Christa Reekie	3/5	-	3/4
Professor Johnny Rodger	4/4	-	-
Mr Ken Ross	4/5	-	3/4
Sir Muir Russell	5/5	4/4	4/4
Dr Sarah Smith	4/5	-	-
Mr Andrew Sutherland	5/5	-	3/3
Ms Lesley Thomson	5/5	-	-
Professor Alison Yarrington	3/5	-	-
Dr Craig Williamson, Registrar	5/5*	4/4*	4/4*
Mr Eliot Leviten, Company Secretary (until 12/16)	2/2*	2/2*	2/2
Mr Alastair Milloy, Company Secretary (from 01/17)	3/3*	2/2*	2/2

* denotes attendee not full member

** provided comments on papers in lieu of attendance

Ms Muriel Gray
Chair
11 December 2017

Professor Tom Inns
Director

Governors' Biographies

Ms Muriel Gray BA (Hons)

Chair of the Board of Governors

Muriel Gray is a graduate of GSA and worked as a professional illustrator before joining the National Museum of Antiquities in Edinburgh as assistant head of design. A full time career spanning over two decades in the media followed, from presenting many diverse network radio and television programmes, to producing and directing, and then founding her own award winning production company which grew into the largest in Scotland. She is also known as a political opinion writer in many publications and continues to contribute regularly to The Guardian. She has won several prizes for journalism including Columnist of the Year at the Scottish press awards.

She is the author of five books, three novels and two non-fiction, and many short stories and essays. Two of her books have been shortlisted for the prestigious British Fantasy Award. She was the chair of the judges for the 2007 Orange Prize for Fiction, and serves annually on both BAFTA and the Royal Television Society Awards juries.

Muriel is a former rector of Edinburgh University, still the only woman to have held this post, and has been awarded honorary degrees from the University of Abertay, Glasgow School of Art and Glasgow University. She has served as a trustee on the boards of Lomond Shores, Event Scotland, The Lighthouse, The Glasgow Science Centre, The National Maritime Museum, The Children's Parliament, and the GSA Development Trust. She is a trustee on the board of the British Museum. She is a working patron of Trees for Life, The Craighalbert Centre, and the Scottish Additional Needs Mediation Forum.

Professor Tom Inns BEng (Hons) DIC MDes (RCA) PhD, FRSA

Director

Tom Inns studied Engineering at the University of Bristol and Design at the Royal College of Art. In 1990 he cofounded the Design Research Centre at Brunel University, becoming Director in 1996. His PhD explored the impact of design on innovation in small companies. In 2000 he was appointed as Chair of Design at Duncan of Jordanstone College of Art & Design at the University of Dundee where he became Head of Design School and then Dean before moving to GSA in September 2013. Between 2005 and 2010, he was Programme Director for the AHRC and EPSRC's Designing for the 21st Century Research Programme. Tom has an active interest in how the methods and processes of design can be used to deal with society's systemic challenges. He regularly designs and facilitates knowledge sharing workshops with innovation agencies across the world.

Sir Muir Russell KCB FRSE

Vice-Chair

Muir Russell was the first Permanent Secretary to the Scottish Executive following devolution and then Principal and Vice-Chancellor of the University of Glasgow from 2003 to 2009, when he was Convener, Universities Scotland, member of the boards of UUK and UCAS and trustee of USS. He chaired the Judicial Appointments Board for Scotland for 8 years until September 2016, and is currently chair of the Board of Trustees of the Royal Botanic Garden Edinburgh and the Dunedin Concert Trust and a board member of the Moredun Research Institute. He is a member of the board of NHBC (the National House-Building Council) and chairs its Scottish Committee. He was a member of the Council of the Royal Society of Edinburgh from 2012 to 2016. A graduate of the University of Glasgow in Natural Philosophy, Muir was created KCB in 2001 and FRSE in 2000 and given honorary degrees by the Universities of Strathclyde, Glasgow and Edinburgh.

Ms Kerry Aylin BA (Hons) FHEA EADiM

Kerry Aylin graduated from The Glasgow School of Art in 1983. After 11 years in industry, she returned to GSA as a member of staff. She ran her own design business since 1994, where her creative work was mostly in communication design, primarily publishing and interactive technology. Amongst her accomplishments were a Scottish Design Award, Europrix winner, Prix Mobius shortlist and British Interactive Media Awards finalist. She was a Fellow of the Higher Education Academy and member of European Academy of Digital Media. At GSA, Kerry supported all schools as a specialist in assistive technologies and in the innovative application of technology to traditional industry techniques and divergent thinking. Kerry was an Adobe Education Leader and contact for the Adobe Partnership for a number of years. Kerry Aylin tragically died in April 2017.

Mr Charles Beattie FCCA

Charles is a qualified accountant having trained with KPMG before moving into the banking and financial services sector where he held both finance and non-finance roles. In addition, Charles has held senior positions in the not for profit sector. He was previously a member of the Audit & Risk Committee of the 2014 Commonwealth Games and he is chair of the GSA audit committee. He is currently Chief Operating Officer at Maclay Murray & Spens, and a Board member of Women's Enterprise Scotland. He is a qualified golf coach, the immediate past Captain of Strathaven Golf Club and Chair of Strathaven Academy Parent Council.

Governors' Biographies (continued)

Mr Douglas Brown BA (Hons) Dipl Arch FRIAS RIBA

Douglas Brown spent most of his professional career (from 1987) with international architect and strategic design consultancy DEGW, best known for their research, programming and innovative design thinking in the fields of office planning and educational facilities. From 2001 to 2008 he was Group Managing Director of DEGW Plc having responsibility for leading growth and managing the performance of the firm's worldwide operations from 14 offices in 9 countries across Europe, Asia and North America. He left the firm in 2009. From 1998 to 2001 Douglas was also a partner at Dutch management consultancy Twynstra Gudde Group. He is a past Board Member of the British Council of Offices. In 2010 Douglas and his wife founded the multi-award winning Humble Pie Bakery to which he provides management and development support. He is also principal of property company Glenalmond Estates Ltd and chair of the Wooddean Community Project Organisation, a Scottish charity.

Dr Janet Brown BSc PhD FInstP FRSA FRSE (term of office expired March 2017)

Janet Brown is Chief Executive of the Scottish Qualifications Authority, having previously been Managing Director of Industries at Scottish Enterprise. Prior to this she spent 19 years working in the private sector in the United States and has extensive experience in science, research and technology as well as business management. A graduate of the University of Birmingham, with a BSc in Physics and a PhD in Physical Metallurgy and Materials Science, Janet is also a Fellow of the Royal Society of Edinburgh and a Fellow of the Institute of Physics.

Ms Polly Christie BA (Hons), MA

Polly Christie studied languages as an undergraduate and completed her Masters in Electronic Communication & Publishing at the School of Library, Archive & Information Science, UCL, in 2000. Since then, she has worked in the arts sector, promoting the access and use of art and archive collections for teaching, learning and research, both to academic and general audiences. She was a founder member of the Visual Arts Data Service, becoming Director in 2007; she established an Image Bank and then the Digitisation Unit for the University for the Creative Arts in 2009 and 2011 respectively, and then moved to the Tate in 2012 to manage the Transforming Tate Britain: Archives & Access project, until February 2015. Polly is now Project Lead for the Archives & Collections Recovery Project at GSA, following the Mackintosh Building fire in May 2014. During the next three years a programme of conservation, digitisation, collection management and collection development work will take place to stabilize and rebuild GSA's Archive & Collection, and to enable access and engagement therewith.

Ms Laura Glennie

President, Students' Association 2016/17 and 2017/18.

Professor Nora Kearney RGN, MSc

Nora Kearney has had an extensive career in healthcare both clinically and academically. She has recently demitted the roles of Head of School and Professor of Cancer Care in the School of Health Sciences at the University of Surrey and previous to this she was Professor of Cancer Care and Dean of Research in the School of Nursing and Midwifery at the University of Dundee and the Dundee Cancer Centre, where she led research in cancer care. In addition, she led work with multiple public and corporate partners across Dundee to tackle inequalities in the city. Nora was previously the Director of the Cancer Care Research Centre (CCRC) that she established in 2003 at the University of Stirling, having developed the concept of the CCRC from her clinical experience of working closely with people affected by cancer. Nora has a long clinical career in cancer nursing and previous academic positions at the Universities of Glasgow and Edinburgh. She has an international reputation as a leader in cancer care research, having led a number of national and international multi-centre research projects in the areas of patient experience and symptom improvement in cancer care. In particular, she has pioneered the innovative use of technological solutions to provide supportive care to people with cancer. She has published over 140 academic papers and secured over £14.5 million in research income and has contributed to policy development in health care in the UK and Europe. She is currently a Visiting Professor at University College Dublin.

Mr Douglas Kinnaird BA CA (term of office expired October 2016)

Douglas Kinnaird is a business graduate from Strathclyde University and a Chartered Accountant. He runs MacDonald Kinnaird which has the reputation of recruiting for many of the major roles in Scotland's public and private sectors and is founder and deputy chairman of Scotland International. In 2004 he bought the former Lady Artists Society building in Blythswood Square, whose door and entrance is featured in every Charles Rennie Mackintosh book in the world. He occasionally returns to Strathclyde University to lecture in Marketing, was on Cancer Research UK's Scottish Council, a Director of Scotland the Brand and a governor of Hutchesons' School.

Ms Eleanor McAllister OBE MA MSc Hon FRIAS FRICS FRSA

Eleanor McAllister is an economist and town planner, and has managed a number of urban regeneration projects throughout her career. She retired in March 2012 from her most recent post as managing director of Clydebank re-built, designated as one of the Scottish Government's Pathfinder urban regeneration companies. She was made OBE for services to architecture and regeneration in 2007 and was awarded honorary fellowships with the Royal Society of the Arts (2008), the Royal Incorporation of Architects in Scotland (2009) and the Royal Incorporation of Chartered Surveyors (2012). She is a member of the Scottish Historic Environment Forum, Vice Chair of the Glasgow Film Theatre, Director of St Peter Kilmahew, and a Director of the Workshop and Artists Studio Provision (Scotland) Ltd.

Governors' Biographies (continued)

Mrs Linda McTavish CBE BA (Hons) (term of office expired June 2017)

Former Principal of Anniesland College, Linda studied at Strathclyde University, followed by research at Edinburgh University and TOFE at Jordanhill College. She taught at Cardonald College and Langside College before becoming Depute Principal at Anniesland in 1993 and Principal in 1997. She has been a SQA assessor/verifier, member of Scottish Executive Lifelong Forum, New Deal Taskforce, Scottish Refugee Integration Forum, SE Glasgow, Community Learning Scotland and the Glasgow Economic Forum and is currently a member of the Education Commission for Glasgow. Linda was awarded the Lord Provost's Medal for education, a CBE for services to further education and a Fellowship of the SQA.

Dr Susie Mitchell PhD

Dr Susie Mitchell has a passion for science and innovation - nurtured through a 20-year career spanning laboratory research, R&D and IP commercialisation, policy development and equality work. She was awarded a Ph.D. in cancer research from the University of Glasgow's Beatson Institute for Cancer Research in 2000, for which she received the John Paul Award for Research Excellence. She has worked in a variety of settings within the public sector (including the NHS and national government) and the private sector (including the Glasgow 2014 Commonwealth Games Organising Committee and a global sustainability consultancy). Susie is now Programme Director for Glasgow City of Science and Innovation (GCOSI), based at Glasgow Science Centre. GCOSI is a pioneering initiative off c100 multi-sector organisations (from government, the Glasgow School of Art and Scottish Opera to global innovation businesses) which curates major programmes of work that aim to leverage the City regions' science, creativity and innovation to enable social change and sustainable economic growth. GCOSI is a founding organisation of Venturefest Scotland – the national innovation summit – and the focus area for GCOSI is to curate programmes of work that better connect science, engineering and technology with art, creativity and entrepreneurship to create innovation with impact. Outside work, Susie is a keen session singer and song-writer as well as a contributor and presenter for music and science factual output on BBC Scotland and the BBC World Service. Susie is also a Trustee of the James Clerk Maxwell Foundation, a champion of diversity in STEM, and in 2016 was recognised by Equate Scotland as a Leading Woman of Scotland for her contributions to STEM and Scotland's advancement.

Professor Ken Neil MA (Hons) MFA PhD PG Cert FHEA FRSA

Ken Neil is Deputy Director (Academic). Ken studied painting and the history and philosophy of art at Edinburgh University as an undergraduate, before achieving an MFA in painting from Edinburgh College of Art in 1995. He completed a PhD in art theory in 2003 while teaching Humanities and History of Art at ECA and the Universities of Edinburgh and Glasgow. From 1999 he was lecturer in Contextual and Critical Studies at Gray's School of Art, taking on the Headship of Fine Art and Fine Art Critical Studies in 2002. In 2005 he led a new MFA in Critical Social Art Practice for Gray's before being appointed Head of Historical and Critical Studies at The Glasgow School of Art in 2006. Since joining GSA he has been a National Sector Lead for creative and cultural practice disciplines for the Scottish Enhancement Theme 'Research-Teaching Linkages' and has served on the AHRC Fellowships Review Panel. Ken has also served on the Editorial Board of the journal 'Art & Research' and the AHRC Peer Review College. From January 2014, he was appointed a Trustee of the UK Association of Art Historians, and chaired the Association's Further and Higher Education Special Interest Group. Ken was awarded a Personal Professorship in Art and Design in July 2014, and was formally appointed as GSA's Head of Research in August 2014. In August 2016 he was appointed GSA's Deputy Director (Academic). Ken is a Fellow of the Higher Education Academy, and a Fellow of the Royal Society for the encouragement of the Arts, and a member of the editorial board of the Journal of Visual Art Practice. Ken is also an appointed member of the Board of Trustees of community arts organisation, Impact Arts. His research and writing relate to three fields: contemporary art and art theory; issues for creative education; and the visual culture of the everyday.

Ms Christa Reekie Mag.phil. Dip Ed LLB NP

Christa Reekie was a school teacher in Austria, before moving to Scotland and re-qualifying as a teacher. She joined the University of Edinburgh as a tutor teaching German before moving into the software industry (Adobe) as a translator and later a project leader, thus funding her accelerated law degree at Edinburgh University. She trained with Brodies in Edinburgh, became a commercial property lawyer and joined Burness in 1996, where she specialised in construction law before concentrating on PFI/PPP large infrastructure projects, becoming a partner in 2000. She was appointed as commercial director of the Scottish Futures Trust Limited in November 2009. Christa is involved in most of SFT's activities, but in particular leads on SFT's innovative affordable housing models.

Professor Johnny Rodger, BA, PhD, FHEA, PG Cert (L&T), PG Cert (Sup)

Johnny Rodger is a writer and critic, and Professor of Urban Literature at the Mackintosh School of Architecture at GSA. He is the editor of The Drouth quarterly Literary/Arts journal, and his published books include literary fiction such as *The Auricle* (1995), *g haun(s)Q* (1996) and *redundant* (1998), and scholarly works such as *Contemporary Glasgow* (Rutland Press, 1999), and *Gillespie Kidd & Coia 1956-87* (RIAS, 2007), *Tartan Pimps: Gordon Brown, Margaret Thatcher and the New Scotland* (2010), and *The Red Cockatoo: James Kelman and the Art of Commitment* (2011). His latest book *The Hero Building: An Architecture of Scottish National Identity* was published in September 2015.

Governors' Biographies (continued)

Mr Kenneth Ross OBE

Ken Ross graduated in 1970 and qualified as a Surveyor in 1972. He was President of the Scottish Housebuilders Association in 1987/1988 and was a founding Director when Homes for Scotland was formed. He went on to become Chairman of the Scottish Property Federation during 2007. In 2007, Ken was a member of the Sullivan Committee advising the Scottish Ministers on a low carbon strategy for Scotland and is now actively involved in sustainability and renewable projects throughout Scotland. In 2008, he was invited to join the National Economic Forum. In 2010, he was appointed to the Housing Policy Advisory Board, advising Scottish Ministers on housing matters in Scotland. Ken is a Member of the Executive Committee of SCDI. He is also actively involved in projects involving affordable housing, renewable energy, and the arts, social and educational sectors in Scotland.

Dr Sarah Smith, BA, MA, PhD

Sarah Smith has a BA in Fine Art Painting from the National College of Art and Design (NCAD), Dublin (1994), an MA in Film Studies from University College Dublin (UCD), (1995) and a PhD in Artists' Films from University of Glasgow (2007). Early appointments included Education Assistant at the Irish Film Institute (1995-97), Lecturer in Film Studies at UCD (1995-98), Adviser of Studies at University of Glasgow (2000-2002) and Researcher in Lifelong Learning, The Lighthouse (1999-2001). She was appointed Lecturer in Historical and Critical Studies at GSA in 2002, taking up the role of Joint Acting Head of the Forum for Critical Inquiry from 2012 until 2015, at which point she became Joint Head of Department as well as Head of the newly forming Department of Art Context and Theory (ACT) within the School of Fine Art (SoFA). Sarah is a member of a number of professional organisations such as the British Association of Irish Studies (BAIS) and the Media, Communication and Cultural Studies Association (MeCCSA). She is currently the only European member of College Art Association's (CAA) International Committee and is also a member of the Advisory Board of the peer-reviewed journals: *Screen Bodies* and *Visual Culture in Britain*.

Mr Andrew Sutherland BAcc CA MCICM

Andrew Sutherland is a Chartered Accountant and a member of the Chartered Institute of Credit Management. After completing his CA training with Grant Thornton, Andrew joined Keyline and then Slater Hogg and Howison where his roles included Company Secretary and Finance Director. After 15 years in industry, Andrew started his own business in October 2000. Trading as ACS Consultancy, Andrew has built a small group of regular clients including part-time and non-executive directorships, alongside long and short-term consultancy roles. He has previously been a non-executive director of a large Scottish charity and of a company delivering post-graduate education. His current roles include being a consultant to Page/Park Ltd and a director of Graven Images Ltd.

Ms Lesley Thomson

Lesley Thomson is Managing Director of Spreng Thomson. She is an experienced communications professional working across the private, public and third sectors. Lesley works with businesses of all sizes seeking to develop business, communication or brand strategies. Her experience spans projects for the Scottish Government, banking and financial services, food and drink, government agencies, local authorities and academia as well as major private sector-led developments. Lesley has worked extensively in the arts and creative industries. She is a Trustee of the Dewar Arts Awards, a member of Glasgow Life's Advisory Board for the city's tourism and visitor economy and an advisor to Entrepreneurial Scotland. She has chaired and served on the Boards of The Arches, Scottish Ballet and Scottish Opera, Birmingham Royal Ballet and the Scottish Arts Council.

Professor Alison Yarrington BA (Hons), PhD, FRSE, FSA, FRSA

Alison Yarrington is Dean of the School of the Arts, English and Drama at Loughborough University, prior to which she was Professor of Art History and Dean of the Faculty of Arts and Social Sciences at the University of Hull. Professor Yarrington, an expert in sculpture, its collecting and display histories, took a foundation course at Chesterfield College of Art and Design before moving into higher education. She gained her undergraduate degree in Fine Art and History of Art at the University of Reading and then completed a PhD at Darwin College, University of Cambridge. Professor Yarrington was appointed to a lectureship in the History of Art at the University of Leicester, promoted to a Personal Chair of Art History and became Dean of the University's Faculty of Arts. She was appointed Richmond Chair and Head of the Department of Art History at the University of Glasgow in 2003, during which time she was also Honorary Keeper of Fine Art of the Hunterian Gallery and Museums. She was Chair of the Association of Art Historians 2011-14, and is now Chair of the UK National Committee of the International Subject Association for Art History, CIHA (Comite International d'Histoire de l'Art). She also serves as a member of the Advisory Committee for the Subject Specialist Network (SSN): "European Paintings pre 1900" and for the "British Art Network" (SSN) Steering Group Committee.

Independent Auditor's Report to the Board of Governors of The Glasgow School of Art

Opinion

We have audited the financial statements of The Glasgow School of Art (the "School") and its subsidiaries (the "Group") for the year ended 31 July 2017 which comprise the Group and School Statement of Comprehensive Income, the Group and School Statement of Changes in Reserves, the Group and School Balance Sheet, the Group Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the School's affairs as at 31 July 2017 and of the Group's and School'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, the Accounts Direction issued by the Scottish Funding Council and the 2014 Statement of Recommended Practice: Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

This report is made solely to the Board of Governors, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, section 44(1)c of the Charities and Trustee Investment (Scotland) Act 2005, regulation 10 of the Charities Accounts (Scotland) regulations 2006 (as amended) and the Financial Memorandum of the School. Our audit work has been undertaken so that we might state to the Board 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 School and the Board, as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the Board of Governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board of Governors has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the School's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditor's Report to the Board of Governors of The Glasgow School of Art (continued)

Other information

The Board of Governors is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Opinion on other matters

In our opinion:

- funds from the Scottish Funding Council, grants and income for specific purposes and from other restricted funds administered by the School have, in all material respects, been applied only for the purposes for which they were received; and
- income has, in all material respects, been applied in accordance with the Further and Higher Education (Scotland) Act 1992, and where appropriate, with the Financial Memorandum with the Scottish Funding Council.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the School and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

- adequate accounting records have not been kept by the School, or returns adequate for our audit have not been received from branches not visited by us; or
- the School's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of the following:

- The part of the Statement of Corporate Governance and Internal Control relating to the Group's compliance with the provision of the 2013 Scottish Code of Good HE Governance specific for our review.

Independent Auditor's Report to the Board of Governors of The Glasgow School of Art (continued)

Responsibilities of the Board of Governors

As explained more fully in the statement of Responsibilities of the Board of Governors for Accounting and the Financial Statements set out on page 10, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governors are responsible for assessing the Group's and the School's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Governors either intend to liquidate the Group or the School or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs(UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

We are also required to report to you whether, in our opinion, funds, from whatever source, administered by the School 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 to our audit of the financial statements, the Board have engaged us to review their Statement of Corporate Governance and Internal Control. We review whether the Statement of Corporate Governance and Internal Control reflects the Group's compliance with the 2013 Scottish Code of Good HE Governance specified for our review by those rules, and we report if it does not.

James McBride, Senior Statutory Auditor
For and on behalf of Scott Moncrieff, Statutory Auditor
Allan House
25 Bothwell Street
Glasgow
G2 6NL

Date: 11 December 2017

Group and School Statement of Comprehensive Income

Year Ended 31 July 2017

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		Consolidated	School	Consolidated	School
		£'000	£'000	£'000	£'000
Income					
Tuition fees and education contracts	1	13,097	11,915	12,020	10,991
Funding body grants	2	14,329	14,329	14,669	14,669
Research grants and contracts	3	3,916	3,916	4,069	4,069
Other income	4	3,216	3,490	3,362	4,336
Insurance income	4	-	-	41,715	41,715
Development Trust income	4	5,725	-	1,005	-
Investment income	5	513	513	475	475
Total income		40,796	34,163	77,315	76,255
Expenditure					
Staff costs	7	21,099	20,534	20,687	20,212
Pension revaluation		-	-	-	-
Other operating expenses	8	9,799	9,567	10,709	10,371
Campus redevelopment expenditure : refurbishment	9	2,875	2,875	3,321	3,321
Campus redevelopment expenditure :business interruption	9	1,133	1,133	1,673	1,673
Depreciation	13	3,465	3,465	3,458	3,458
Interest and other finance costs	10	1,544	1,544	1,432	1,432
Total expenditure		39,915	39,118	41,280	40,467
Surplus / (deficit) before other gains losses and share of operating surplus/deficit of joint ventures and associates.	11	881	(4,955)	36,035	35,788
Share of operating surplus in joint venture	16	9	-	22	-
Accumulated income retained within specific endowments	15	149	149	(35)	(35)
Gain on investments - appreciation of endowment assets	15	420	420	130	130
Surplus / (deficit) before tax		1,459	(4,386)	36,152	35,883
Taxation	12	(50)	-	(54)	-
Surplus / (deficit) for the year		1,409	(4,386)	36,098	35,883
Actuarial gain / (loss) in respect of pension schemes	32	379	379	(1,607)	(1,607)
Unrealised surplus on revaluation of heritage assets	14	2,185	2,185	1,907	1,907
Total comprehensive income for the year		3,973	(1,822)	36,398	36,183
Represented by:					
Endowment comprehensive income for the year		569	569	95	95
Restricted comprehensive income for the year		5,719	-	792	-
Unrestricted comprehensive income for the year		(4,500)	(4,576)	33,604	34,181
Revaluation reserve comprehensive income for the year		2,185	2,185	1,907	1,907
		3,973	(1,822)	36,398	36,183
Surplus for the year attributable to:					
School		3,973	(1,822)	36,398	36,183

All items of income and expenditure relate to continuing activities

Group and School Statement of Changes in Reserves

Year ended 31 July 2017

Consolidated	Endowment	Restricted	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2015	3,624	1,280	270	17,668	22,842
Total comprehensive income	95	792	33,604	1,907	36,398
Transfers between revaluation and income and expenditure reserve	-	-	322	(322)	-
Subsidiary reserves exchange rate adjustment	-	-	158	-	158
	<u>95</u>	<u>792</u>	<u>34,084</u>	<u>1,585</u>	<u>36,556</u>
Balance at 1 August 2016	3,719	2,072	34,354	19,253	59,398
Total comprehensive income	569	5,719	(4,500)	2,185	3,973
Transfers between revaluation and income and expenditure reserve	-	-	322	(322)	-
	<u>569</u>	<u>5,719</u>	<u>(4,178)</u>	<u>1,863</u>	<u>3,973</u>
Balance at 31 July 2017	4,288	7,791	30,176	21,116	63,371

School	Endowment	Restricted	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2015	3,624	-	(801)	17,668	20,491
Total comprehensive income	95	-	34,181	1,907	36,183
Transfers between revaluation and income and expenditure reserve	-	-	322	(322)	-
	<u>95</u>	<u>-</u>	<u>34,503</u>	<u>1,585</u>	<u>36,183</u>
Balance at 1 August 2016	3,719	-	33,702	19,253	56,674
Total comprehensive income	569	-	(4,576)	2,185	(1,822)
Transfers between revaluation and income and expenditure reserve	-	-	322	(322)	-
	<u>569</u>	<u>-</u>	<u>(4,254)</u>	<u>1,863</u>	<u>(1,822)</u>
Balance at 31 July 2017	4,288	-	29,448	21,116	54,852

Group and School Balance Sheet

Year ended 31 July 2017

	Notes	As at 31 July 2017		As at 31 July 2016	
		Consolidated £'000	School £'000	Consolidated £'000	School £'000
Non-current assets					
Fixed assets	13	80,598	80,598	75,452	75,452
Heritage assets	14	12,985	12,919	10,784	10,734
Investments	15	4,288	4,288	3,719	3,719
Investment in joint venture	16	43	-	34	-
		<u>97,914</u>	<u>97,805</u>	<u>89,989</u>	<u>89,905</u>
Debtors greater than one year	18	12,449	1,250	12,704	6,250
Current assets					
Stock	17	86	86	74	74
Trade and other receivables	18	11,718	7,968	8,683	8,954
Cash and cash equivalents	20a	10,506	6,890	8,086	5,078
Current asset investments - bank deposits	20b	24,035	24,035	34,041	34,041
		<u>46,345</u>	<u>38,979</u>	<u>50,884</u>	<u>48,147</u>
Less: Creditors: amounts falling due within one year	21	(16,971)	(16,816)	(15,570)	(15,473)
Net current assets		<u>29,374</u>	<u>22,163</u>	<u>35,314</u>	<u>32,674</u>
Total assets less current liabilities		<u>139,737</u>	<u>121,218</u>	<u>138,007</u>	<u>128,829</u>
Creditors: amounts falling due after more than one year	22	(63,539)	(53,539)	(66,450)	(59,996)
Provisions					
Pension provisions	24	(12,827)	(12,827)	(12,144)	(12,144)
Other provisions	24	-	-	(15)	(15)
Total net assets		<u>63,371</u>	<u>54,852</u>	<u>59,398</u>	<u>56,674</u>
Restricted Reserves					
Endowment reserve	25	4,288	4,288	3,719	3,719
Restricted reserve	26	7,791	-	2,072	-
Unrestricted Reserves					
Income and expenditure reserve		30,176	29,448	34,354	33,702
Revaluation reserve		21,116	21,116	19,253	19,253
Total Reserves		<u>63,371</u>	<u>54,852</u>	<u>59,398</u>	<u>56,674</u>

The financial statements were approved by the Board of Governors on 11 December 2017 and were signed on its behalf on that date by:

Tom Inns, Director

Muriel Gray, Chair

Group Statement of Cash Flows

Year ended 31 July 2017

	Notes	31 July 2017	31 July 2016
		£'000	£'000
Cash flow from operating activities			
Surplus for the year		1,409	36,098
Adjustment for non-cash items			
Depreciation	13	3,465	3,458
(Increase) in stock	17	(12)	(6)
(Increase)/decrease in debtors	18	(4,234)	3,939
Increase in creditors	21	1,383	558
(Decrease) in pension provision	24	(97)	(99)
(Decrease) in other provisions	24	(15)	(107)
Taxation		50	54
Share of operating (surplus)/deficit in joint venture	16	(9)	(22)
Tax paid		(54)	-
Adjustment for investing or financing activities			
Gain on investments	15	(420)	(130)
Accumulated income of endowment investments	15	(149)	35
Investment income	5	(513)	(475)
Interest payable	10	1,544	1,432
Funding council loan support grants	2	(321)	(497)
Release of deferred capital grants	22	(1,280)	(1,285)
Net cash inflow from operating activities		747	42,953
Cash flows from investing activities			
Capital grants receipts		-	1,246
Investment income	5	513	475
Payments made to acquire fixed assets	13	(8,611)	(8,380)
		(8,098)	(6,659)
Cash flows from financing activities			
Interest paid		(64)	(70)
Repayments of loan amounts borrowed		(92)	(87)
New finance leases		36	246
Capital element of finance lease and service concession payments		(115)	(106)
		(235)	(17)
(Decrease) / increase in cash and cash equivalents in the year		(7,586)	36,277
less: deposits withdrawn / (made)		10,006	(34,041)
		2,420	2,236
Cash and cash equivalents at beginning of the year	20a	8,086	5,850
Cash and cash equivalents at end of the year	20a	10,506	8,086
Increase		2,420	2,236

Statement of Principal Accounting Policies and Estimation Techniques

Year ended 31 July 2017

1 General information

The School is registered under The Further and Higher Education (Scotland) Act 1992. The financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS 102) 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Accounts Direction issued by the Scottish Funding Council and the Statement of Recommended Practice: Accounting for Further and Higher Education.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the School's accounting policies (see note 3).

The presentation currency is pound sterling and the financial statements are rounded to the nearest £000. These financial statements comprise the results of the School and of its Group.

The Group consists of The Glasgow School of Art, The Glasgow School of Art Development Trust, GS of A Singapore Pte Ltd and the School's joint venture, The Centre for Digital Documentation and Visualisation LLP (CDDV). The School is defined as a public benefit entity and thus the School complies with all disclosure requirements relating to public benefit entities. The School is a registered company and its registered number is SC002271. The School is a registered charity in Scotland and its registered number is SC012490. The registered address is 167 Renfrew Street, Glasgow, G3 6RQ.

2 Accounting policies

Introduction and accounting basis

The financial statements are prepared on the historical cost basis of accounting subject to the revaluation of certain fixed assets and in accordance with applicable accounting standards. The effect of events relating to the year ended 31 July 2017, which occurred before the date of approval of the financial statements by the Board of Governors have been included in the financial statements to the extent required to show a true and fair view of the state of affairs as at 31 July 2017 and of the results for the year ended on that date. The accounting policies of the School are set out below.

Basis of consolidation

The group financial statements include the School and its subsidiary, GS of A Singapore Pte Ltd, and its joint venture with Historic Environment Scotland, CDDV LLP. The group financial statements also include The Glasgow School of Art Development Trust which has been deemed as being controlled by GSA. Intra-group transactions and balances are eliminated fully on consolidation. In accordance with Financial Reporting Standard (FRS) 102, the activities of the GSA student union and GSA Enterprises Ltd have not been consolidated because the School does not control those activities.

Going concern

The financial statements have been prepared on the going concern basis of accounting.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at the balance sheet date. The resulting exchange differences are taken to the Statement of Comprehensive Income in the year.

Cash and cash equivalents

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash. Cash equivalents includes deposits held for a maturity of less than 3 months.

Current asset investments

These liquid resources comprise assets held as a readily disposable store of value. They include term deposits > 3 months, government securities and loan stock held as part of the School's treasury management activities. They exclude any such assets held as endowment asset investments.

Statement of Principal Accounting Policies and Estimation Techniques

Year ended 31 July 2017

Recognition of Income

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which the School recognises the related costs for which the grant is intended to compensate in line with the accruals model. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Non-recurring grants from the SFC or other Government bodies received in respect of the acquisition of fixed assets are treated as deferred Government capital grants and amortised in line with depreciation over the life of the assets.

Income from contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

Non government revenue and capital grants are recognised as income once any performance conditions have been met.

Income from tuition fees is recognised in the financial period it relates to and includes all fees payable by students or their sponsors. All income from short term deposits is credited to the Statement of Comprehensive Income and expenditure account in the period in which it is earned. Income from specific endowments, not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to specific endowments.

In the Glasgow School of Art Development Trust's financial statements, the pledges and funding from the UK Government and the matched funding pledge from the Scottish Government are shown as incoming resources. At group level these pledges are in substance deferred Government capital grants and have been treated as such within the Group figures.

Interest receivable

Interest receivable is recognised in the Statement of Comprehensive Income when receivable.

Interest payable

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Pension Schemes

The School participates in two pension schemes providing benefits based on final pensionable pay, the Scottish Teachers Superannuation Scheme (STSS) and the Strathclyde Pension Fund (SPF). All schemes are available to staff of more than one employer, are contracted out of the State Earnings-Related Pension Scheme, and the assets of the schemes are held separately from those of the School. The Funds are valued by actuaries, the rates of contributions being determined by the trustees on the advice of the actuaries.

Strathclyde Pension Fund

The scheme is a defined benefit scheme and is accounted as a defined benefit scheme under Financial Reporting Standard 102.

Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value.

Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is recognised in the Statement of Comprehensive Income.

Scottish Teachers Superannuation Scheme

Members of the academic staff are members of the Scottish Teachers' Superannuation Scheme to which the School contributes. It is not possible to identify each participating institution's share of the underlying assets and liabilities on a consistent and reasonable basis. Accordingly, the School has utilised the provisions of FRS102 whereby the contributions to the scheme are recognised as if it were a defined contribution scheme. The cost recognised within the School's Statement of Comprehensive Income will be equal to the contribution payable to the scheme for the year. Under statute, accounts for this scheme are prepared by the relevant body.

A small number of staff are in other defined contribution pension schemes but the School would only contribute if the employee was ineligible to join one of the two main public sector schemes.

Statement of Principal Accounting Policies and Estimation Techniques

Year ended 31 July 2017

Land and Buildings

Tangible Fixed Assets land and buildings are stated at cost or valuation, less a provision for depreciation. The basis of the valuation is depreciated replacement cost. The last valuation was carried out on 31 July 1995 by Grimleys, Chartered Surveyors. All additions since that date have been included at historical cost and their value is deemed to be at least equal to the cost incurred. Buildings are depreciated over their expected useful lives of up to 50 years, with subsequent improvements to buildings depreciated over their useful lives of 10 or 20 years depending upon whether the improvement is classed as minor (10 years) or major (20 years).

Costs incurred in increasing the value of a building are capitalised if the cost of the improvement is over £5,000. If the cost incurred is over £5,000, but not considered to increase the value of the building, it will be written off in the year it is incurred. Where the property improvement cost that is to be capitalised has been incurred with the aid of a specific Government grant, it is depreciated as above. The related Government grant is treated as a deferred capital grant and released to the Statement of Comprehensive income over the period stated above.

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2017. They are not depreciated until they are brought into use.

Assets held for the Nation: Heritage Assets

The School holds and conserves heritage assets for future generations. As a general policy, heritage assets are recognised in the Balance Sheet where the School has information on the cost or value of the asset. Where information on cost or value is not available, and the cost of obtaining the information outweighs the benefits to the users of the financial statements, the asset is not recognised on the Balance Sheet.

The carrying amount of heritage assets are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage. The School does not intend to dispose of heritage assets. The carrying value is based on the insurance value as at 31 July 2017 and was carried out by Axa Art, independent valuers.

Investments

Subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less provision for impairment in the School's Balance Sheet.

The joint venture with Historic Environment Scotland, CDDV LLP, is accounted for under the net equity method.

Equipment

All equipment and minor building improvements costing less than £5,000 for an individual item, or group of related items, is written off to the Statement of Comprehensive Income in the year of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated over its useful economic life as follows:

Telephone equipment:	10 years straight line
Other IT equipment and software:	4 years straight line
Furniture, fittings and minor building improvements:	10 years straight line
Other equipment:	5 years straight line

Where the equipment that is to be capitalised has been acquired with the aid of a specific Government grant, it is depreciated as above. The related grant is treated as a deferred capital grant and released to the Statement of Comprehensive Income over the period stated above. A review for impairment is carried out if events or changes in circumstances indicate that the carrying amount of any fixed assets may not be recoverable. Depreciation is charged from the date of acquisition.

Non-government grants received to fund a capital asset are recognised as income when any performance conditions have been met.

Statement of Principal Accounting Policies and Estimation Techniques

Year ended 31 July 2017

Leased assets

Operating leases and the total payments made under them are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Leases agreements which transfer to the School substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments are 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 Statement of Comprehensive Income on a straight line basis over the term of the lease. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Investments

Endowment Asset Investments are included in the balance sheet at market value as at the year-end.

Stocks

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

Debtors

Short term debtors are measured at the transaction price, less any impairment.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Government capital grants

Government Capital Grants, at amounts approved by The UK Government, The Scottish Government, Glasgow City Council or any other government agency, are treated as a deferred capital grant and are released to income in accordance with the accrual model over the useful life of the asset it relates. The accrual model requires the School to recognise income on a systematic basis over the period in which the School recognises the related costs for which the grant is intended to compensate.

Government revenue grants

Government revenue grants are recognised using the accrual model which means the School recognises the grant in income on a systematic basis over the period in which the School recognises the related costs for which the grant is intended to compensate.

Non-government grants

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the grants are received or receivable.

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.

A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Provisions

Provisions are recognised when the School has a present legal or constructive obligation as a result of a past event, and if 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 obligation.

Agency arrangements

Funds the School receives and disburses as a paying agent on behalf of a funding body or other body, where the School is exposed to minimal risk or enjoys minimal economic benefit related to the receipt and subsequent disbursement of the funds, are excluded from the Statement of Comprehensive Income.

Statement of Principal Accounting Policies and Estimation Techniques

Year ended 31 July 2017

Financial instruments

The School only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets are derecognised when contractual rights to the cash flows from the assets expire, or when the School has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Maintenance of Premises

The cost of routine maintenance is charged to the Statement of Comprehensive Income as incurred.

Taxation Status

The School is a charity within the meaning of the Charities and Trustee Investment (Scotland) Act 2005 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010 and is recorded on the index of charities maintained by the Office of the Scottish Charity Regulator (Charity No. SC012490). Accordingly, the School is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) 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 School receives no similar exemption in respect of Value Added Tax. 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 School's subsidiary commercial company is subject to corporation tax and VAT in the same way as any commercial organisation.

Revaluation gains relate to charitable activities and as such no deferred tax is recognised in respect of these unrealised gains.

Endowment funds

Where charitable donations are to be retained for the benefit of the institution as specified by the donors, these are accounted for as endowments. There are three main types:

- Restricted permanent endowment – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.
- Unrestricted permanent endowment – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the School.
- Restricted expendable endowment – the donor has specified a particular objective and the School can convert the endowed capital into income.

Statement of Cash Flows

The exemption from including a Statement of Cash Flows for the School, the parent entity, allowed by the SORP (3.3) has been taken.

Statement of Principal Accounting Policies and Estimation Techniques

Year ended 31 July 2017

3 Judgements in applying policies and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The Governors are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

Useful lives of property, plant and equipment

The useful lives of property, plant and equipment are based on the knowledge of the senior management team with respect to expected life cycles.

Recoverability of debtors

Bad debt provisions are incorporated where deemed necessary base on the senior management team's knowledge of the transactions and payment history of the debtor.

Obligations under the Strathclyde Pension Scheme and pension enhancements on early retirement

This has relied on the actuarial assumptions of the qualified actuary which have been reviewed and are considered appropriate.

The valuation of the heritage assets

The heritage assets have been valued by an appropriately qualified expert valuer, Axa Art.

Mackintosh project

The Mackintosh project involves both the repair of the building and improvement / refurbishment work . The surveyor for the project has estimated that 71% of the project cost relates to repair work and 29% of the project cost relates to improvement / refurbishment work. Thus costs have been recognised on this basis with the repair costs expensed and improvement / refurbishment work capitalised.

Notes to the Financial Statements
Year ended 31 July 2017

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
1 Tuition fees and education contracts				
Scotland and EU fees	2,823	2,823	2,880	2,880
RUK fees	3,154	3,154	2,936	2,936
Non EU fees	6,416	5,234	5,542	4,513
Non credit bearing course fees	447	447	418	418
Education contracts	257	257	244	244
	13,097	11,915	12,020	10,991

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
2 Funding Council grants				
General fund - Teaching	7,233	7,233	7,389	7,389
General fund - Research and Knowledge Exchange	1,468	1,468	1,714	1,714
Small specialist institution grant	3,076	3,076	2,820	2,820
Other SFC grants	1,066	1,066	1,080	1,080
Deferred capital grants released in year				
Buildings	1,065	1,065	1,069	1,069
Equipment	100	100	100	100
SFC Loan support grant	321	321	497	497
	14,329	14,329	14,669	14,669

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
3 Research grants and contracts				
Research councils	365	365	409	409
Research charities	354	354	306	306
Government (UK and overseas)	2,504	2,504	2,869	2,869
Industry and commerce	621	621	477	477
Other	72	72	8	8
	3,916	3,916	4,069	4,069

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
4 Other income				
Residences	1,593	1,593	1,520	1,520
Release from deferred grants (Non SFC)	115	115	116	116
Other income generating activities	238	238	289	289
Dividend due from GSoA Singapore pte	-	300	-	1,014
Other income	1,270	1,244	1,437	1,397
	3,216	3,490	3,362	4,336
Insurance income				
AXA Insurance claim	-	-	715	715
RSA Insurance monies	-	-	41,000	41,000
	-	-	41,715	41,715

The AXA income is in relation to the heritage assets lost in the fire. The RSA income is in relation to business continuity costs as a result of the fire.

Development Trust income
Development Trust income

	5,725	-	1,005	-
	5,725	-	1,005	-

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
5 Investment income				
Investment income on endowments	257	257	198	198
Other investment income	256	256	277	277
	513	513	475	475

6 Segmental Reporting

The group activities are carried out in Glasgow and Singapore.
Group Turnover for these two markets is split as:

	2017 Consolidated £'000	2016 Consolidated £'000
Glasgow	39,588	76,246
Singapore	1,208	1,069
	40,796	77,315

£3,546k (2016: £952k) of Scottish Government matched funding has been recognised in the financial statements of The Glasgow School of Art Development Trust as incoming resources. At group level the funding is, in substance, a deferred Government capital grant and thus a consolidation adjustment has been made to reallocate this income to deferred Government capital grants in the group figures.

Notes to the Financial Statements

Year ended 31 July 2017

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
7 Staff costs				
Salaries	16,713	16,148	16,661	16,186
Social security costs	1,651	1,651	1,383	1,383
Pensions	2,554	2,554	2,428	2,428
Severance and redundancy costs	181	181	215	215
Total	21,099	20,534	20,687	20,212

	£'000	£'000
Emoluments of the Director		
Salary	151	136
Pension contributions	26	20
	177	156

Key management personnel

The emoluments, excluding pension contributions, of the senior management staff School and Group (the Executive Group) including staff Governors, in the following ranges, were:

	No.	No.
£70,001 to £80,000	4	5
£80,001 to £90,000	1	-
£90,001 to £100,000	3	2
£100,001 to £110,000	1	1
£110,001 to £120,000	-	1
£130,000 to £140,000	-	1
£150,000 to £160,000	1	-
£200,000 to £210,000	-	1
	10	11

The Key management personnel emoluments are made up as follows:

	Year Ended 2017 £000	Year Ended 2016 £000
Salaries	1,194	1,000
Pension contributions	208	155
Compensation for loss of office	-	112
Total emoluments	1,402	1,267

The number of staff, excluding Governors and Executive Group members, who received emoluments, excluding pension contributions, in the following ranges was:

	No.	No.
£60,001 to £70,000	4	5
£70,001 to £80,000	1	1
	5	6

The number of directors receiving benefits under defined benefit schemes:

	4	4
--	---	---

The average number of staff employed by the School expressed as full time equivalents was:

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated	School	Consolidated	School
Academic	127	119	126	118
Academic support	92	92	91	91
Research	50	50	49	49
Other support	37	37	36	36
Admin and central services	51	51	47	47
Premises	49	49	48	48
Residences	1	1	1	1
	407	399	398	390

Notes to the Financial Statements

Year ended 31 July 2017

7 Staff costs (continued)

Compensation for loss of office payable to a senior post-holder:	2017	2016
	£'000	£'000
Compensation payable recorded within staff costs	-	112
Salary costs for the post holder during year	-	90
	<u>-</u>	<u>202</u>

The costs recorded above relate to one senior post holder. The combined compensation and salary figure is also disclosed within the senior management salary brackets data

Governors emoluments

The emoluments of the Governors including staff governors, excluding pension contributions, fall into the following bands:

	Year Ended	Year Ended
	2017	2016
	Number	Number
NIL	19	19
£35,001 - £40,000	1	1
£55,001 - £60,000	2	1
£65,001 - £70,000	-	1
£90,001 - £95,000	1	-
£95,001 - £100,000	-	-
£130,001 - £135,000	-	-
£135,001 - £140,000	-	1
£150,001 - £155,000	1	-
	<u>24</u>	<u>23</u>

The Governors' emoluments are made up as follows:

	Year Ended	Year Ended
	2017	2016
	£000	£000
Salaries	393	301
Pension contributions	58	46
Total emoluments	<u>451</u>	<u>347</u>

8 Other operating expenses

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated	School	Consolidated	School
	£'000	£'000	£'000	£'000
Academic and related expenditure	2,175	2,175	2,173	2,048
Administration and central services	1,595	1,595	1,382	1,382
Premises	2,347	2,347	2,296	2,296
Residences, catering and conferences	1,363	1,363	1,131	1,131
Dev Trust expenditure	6	-	213	-
Research grants and contracts	1,123	1,123	1,329	1,329
Bad debt provision- loans with related parties	-	-	295	295
Other expenses	1,190	964	1,890	1,890
	<u>9,799</u>	<u>9,567</u>	<u>10,709</u>	<u>10,371</u>

9 Campus redevelopment expenditure

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated	School	Consolidated	School
	£'000	£'000	£'000	£'000
Mackintosh refurbishment and campus redevelopment costs:				
Business Interruption costs	1,133	1,133	1,673	1,673
Mackintosh refurbishment costs	2,875	2,875	3,321	3,321
	<u>4,008</u>	<u>4,008</u>	<u>4,994</u>	<u>4,994</u>

Notes to the Financial Statements

Year ended 31 July 2017

Notes	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
10 Interest and other finance costs				
Mortgage and loan interest	64	64	70	70
Interest paid by SFC on loan support for Reid building	22 321	321	497	497
Net charge on pension scheme	32 1,159	1,159	865	865
	1,544	1,544	1,432	1,432

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
11 Surplus				
The surplus is stated after charging for:				
External auditors remuneration in respect of the audit of the financial statements	18	18	18	18
External auditors remuneration : subsidiaries	6	-	6	-
External auditors remuneration : corporate tax work	5	5	5	5
External auditors remuneration : other audit work	7	7	7	7
Internal auditors remuneration in respect of audit services	32	32	32	32
Internal auditors remuneration other services	8	-	8	-
Depreciation - owned assets	3,356	3,356	3,365	3,365
Depreciation - financed assets	109	109	93	93
Operating leases - land and buildings	2,152	2,152	2,152	2,152

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
12 Taxation				
Recognised in the statement of comprehensive income				
Current tax				
School	-	-	-	-
Tax re GSofA Singapore Pte Ltd	50	-	54	-
Total tax expense	50	-	54	-

No corporation tax was due on the activities of the School (2016: nil)

Notes to the Financial Statements
Year ended 31 July 2017

13 Fixed Assets

	Freehold Land and Buildings	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000
Cost / valuation				
At 1 August 2016	87,288	6,817	6,309	100,414
Additions	489	735	7,387	8,611
Disposals	-	(14)	-	(14)
At 31 July 2017	87,777	7,538	13,696	109,011
Consisting of valuation as at:				
1 July 1995	15,889	-	-	15,889
Cost	71,888	7,538	13,696	93,122
	87,777	7,538	13,696	109,011
Depreciation				
At 1 August 2016	21,665	3,297	-	24,962
Charge for the year	2,512	953	-	3,465
Disposals	-	(14)	-	(14)
At 31 July 2017	24,177	4,236	-	28,413
Net book value				
At 31 July 2017	63,600	3,302	13,696	80,598
At 31 July 2016	65,623	3,520	6,309	75,452

**Leased assets included
above:**

Net Book Value:	
At 31 July 2017	184
At 31 July 2016	293

Consolidated fixtures, fittings and equipment include assets held under finance leases as follows:

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£'000	£'000
Cost	446	446
Accumulated depreciation	(153)	(60)
Charge for year	(109)	(93)
Net book value	184	293

In May 2014 the School's Mackintosh Building was badly damaged by a major fire. A valuation of the building obtained after the fire valued the building considerably in excess of the depreciated figure used in these accounts. Accordingly it was deemed that, in this circumstance, that it was satisfactory not to impair the Mackintosh Building.

The School's policy is that assets are retained at either their 1995 valuation or their historic cost for additions since that date. Land and Buildings were valued in 1995 by a firm of independent chartered surveyors on a depreciated replacement cost basis. All additions since that date have been included at historic cost and their value is deemed to be at least equal to the cost incurred.

Buildings with a net book value of £7,201,825 (2015/16: £7,860,754) have been funded from Treasury sources. Should these particular buildings be sold, the School would have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum with the Scottish Funding Council.

Valuation of Land & Buildings (Including Inherited Land & Buildings)

Land and buildings have been included at valuation with the following amounts:	2017	2016
	£000	£000
Increase from valuation of inherited buildings	15,013	15,013
Increase from valuation of purchased buildings	877	877
Aggregate depreciation on revalued amount	(7,693)	(7,371)
Net book value	8,197	8,519

The inherited land and buildings concerned were all inherited prior to the 1995 valuation at nil cost. The net book value is £7,703k (2015-16 £ 8,007k) The revalued buildings were purchased prior to the revaluation in 1995.

Notes to the Financial Statements

Year ended 31 July 2017

14 Heritage assets

The heritage assets include, amongst others, the School's Charles Rennie Mackintosh furniture and art collections. It also includes the Library's rare and valuable books collection. In May 2014 the School's Mackintosh Building was badly damaged by a major fire. The building housed a large proportion of the heritage assets and unfortunately some of the collection was destroyed. The fall in valuation in 2014 was as a result of the damage caused by the fire but the School was insured in respect of this loss.

The valuation disclosed in the Balance Sheet is based on the assessment of the School's insurance replacement value for the combined collections. These insurance valuations are updated annually and the most recent valuation was performed at 6th June 2016 by Axa Art, independent valuers who are appropriately qualified to perform the valuation. In addition, individual collections are reviewed periodically to ensure the adequacy of the valuation.

Further information about the School's collections is publicly available on the School's website.

School	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Value of heritage assets acquired by donation	10,734	8,827	8,827	12,875	12,875
Adjustments to valuation or cost	2,185	1,907	-	(4,048)	-
Balances as at 31 July	<u>12,919</u>	<u>10,734</u>	<u>8,827</u>	<u>8,827</u>	<u>12,875</u>
Glasgow School of Art Development Trust					
Value of heritage assets acquired by donation	66	50	-	-	-
Group Total	<u>12,985</u>	<u>10,784</u>	<u>8,827</u>	<u>8,827</u>	<u>12,875</u>

15 Endowments

	2017 £'000	2016 £'000
At 1 August 2016	3,719	3,624
Additions	578	-
Disposals	(876)	(100)
Increase in cash balances held at fund managers	447	65
Appreciation of endowment asset investments in year	420	130
At 31 July 2017	<u>4,288</u>	<u>3,719</u>

Notes to the Financial Statements

Year ended 31 July 2017

16 Investment in joint venture

The School holds a 50% share of The Centre for Digital Documentation and Visualisation LLP (CDDV). This is a joint venture owned equally by the School and Historic Environment Scotland. The arrangement is treated as a joint venture and is accounted for using the equity method, such that 50% of the company's gross assets and liabilities are incorporated into the consolidated balance sheet of the School and 50% of its net income is reported in the School's consolidated income and expenditure account.

	Year ended 31 July 2017		Year ended 31 July 2016	
	£'000	£'000	£'000	£'000
Income and expenditure account				
Net income		<u>9</u>		<u>22</u>
Balance sheet				
Fixed assets	0		0	
Current assets	<u>379</u>	<u>379</u>	<u>185</u>	<u>185</u>
Creditors: amounts due within one year	0		0	
Creditors: amounts due after more than one year	<u>(336)</u>	<u>(336)</u>	<u>(151)</u>	<u>(151)</u>
Share of net assets		<u><u>43</u></u>		<u><u>34</u></u>

Notes to the Financial Statements

Year ended 31 July 2017

17 Stock

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
General consumables	86	86	74	74
	<u>86</u>	<u>86</u>	<u>74</u>	<u>74</u>

18 Debtors

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
Amounts falling due within one year:				
Trade debtors	798	798	715	669
Debts due from students	439	439	501	501
SFC Loan debtor within one year	5,000	5,000	5,000	5,000
Development funding debtor	3,588	-	655	-
Amounts due from subsidiary companies	-	448	-	1,244
Amounts due from related parties	-	-	295	295
Amounts due from joint venture	-	-	-	46
Tax and social security	62	62	-	-
Prepayments and accrued income	1,831	1,221	1,517	1,199
	<u>11,718</u>	<u>7,968</u>	<u>8,683</u>	<u>8,954</u>
Amounts falling due in more than one year:				
SFC Loan debtor greater than one year	1,250	1,250	6,250	6,250
Development funding debtor	11,199	0	6,454	0
	<u>12,449</u>	<u>1,250</u>	<u>12,704</u>	<u>6,250</u>

19 Financial Instruments

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
Financial Assets				
Cash and cash equivalents	10,506	6,890	8,086	5,078
Bank deposits	24,035	24,035	34,041	34,041
Financial assets measured at amortised cost	22,274	7,935	20,982	14,799
	<u>56,815</u>	<u>38,860</u>	<u>63,109</u>	<u>53,918</u>
Financial Liabilities				
Financial liabilities measured at amortised cost	15,350	13,627	19,227	19,383
	<u>15,350</u>	<u>13,627</u>	<u>19,227</u>	<u>19,383</u>

Financial assets measured at amortised cost comprise trade debtors, debts due from students, SFC loan debtor, development funding debtor, amounts due from subsidiary companies, amounts due from related parties, amounts due from joint venture and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, secured loans, obligations under finance leases, payments in advance, research contracts accrual, accruals and deferred income, combined loan and estate redevelopment loan.

20a Cash and cash equivalents

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
Cash and cash equivalents	10,506	6,890	8,086	5,078
	<u>10,506</u>	<u>6,890</u>	<u>8,086</u>	<u>5,078</u>

20b Current asset investments

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
Bank deposits	24,035	24,035	34,041	34,041
	<u>24,035</u>	<u>24,035</u>	<u>34,041</u>	<u>34,041</u>

21 Creditors : amounts falling due within one year

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
Trade creditors	710	710	403	403
Secured loans	5,070	5,070	5,070	5,070
Obligations under finance leases	118	118	112	112
Payments in advance	1,696	1,696	1,402	1,402
Deferred SFC funding	2,598	2,598	2,372	2,372
Deferred capital grants	1,286	1,286	1,286	1,286
Taxation and social security	80	-	199	122
Research contracts accrual	2,159	2,159	2,257	2,257
Corporate tax	50	-	54	-
Accruals and deferred income	3,204	3,179	2,415	2,449
	<u>16,971</u>	<u>16,816</u>	<u>15,570</u>	<u>15,473</u>

Notes to the Financial Statements
Year ended 31 July 2017

22 Creditors : amounts falling due after more than one year

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
Combined loan	1,027	1,027	1,119	1,119
Estate redevelopment loan	1,250	1,250	6,250	6,250
Deferred capital grants	61,148	51,148	58,882	52,428
Obligations under finance lease	114	114	199	199
	63,539	53,539	66,450	59,996
Analysis of secured and unsecured loans:				
Due within one year or on demand (Note 21)	5,188	5,188	5,182	5,182
Due between one and two years	1,423	1,423	5,387	5,387
Due between two and five years	365	365	1,577	1,577
Due in five years or more	603	603	604	604
Due after more than one year	2,391	2,391	7,568	7,568
Total secured and unsecured loans	7,579	7,579	12,750	12,750
Secured loans repayable by 2026	7,347	7,347	12,439	12,439
Finance leases	232	232	311	311
	7,579	7,579	12,750	12,750

Details of loans:

Combined loan: Repayable by quarterly instalments until December 2026
Loan rate 5.59 % (fixed) secured on the Sir Harry Barnes Building and the Margaret MacDonald House Residence

Estate redevelopment loan:

The School entered into a loan funding arrangement with the SFC for the Garnethill Estate redevelopment on 23 October 2012. This loan facility has been arranged with Barclays for £25.0m. The SFC have given a guarantee to the bank to cover all costs associated with the loan, negating any risk to the School. The interest rate on the loan is fixed at 3.44% p.a. Repayments are quarterly and are due to finish on 23rd October 2018. A debtor for the future instalments receivable from SFC is included in debtors.

Lender	Amount £'000	Term	Interest rate %	Borrower
Barclays	6,250	2018	3.44	School
Barclays	1,097	2026	5.59	School
Total	7,347			

Deferred Capital Grants (Group and School)

Included within creditors are the following items of income which have been deferred until specific performance related conditions have been met.

Group	Funding Council £'000	Other Grant & Benefactions £'000	Total £'000
As at 1 August 2016			
Buildings	58,722	646	59,368
Equipment	800	-	800
	59,522	646	60,168
Capital grants received in year			
Buildings	3,546	-	3,546
Equipment	-	-	-
	3,546	-	3,546
Released to Income and Expenditure			
Buildings	(1,065)	(115)	(1,180)
Equipment	(100)	-	(100)
	(1,165)	(115)	(1,280)
As at 31 July 2017			
Buildings	61,203	531	61,734
Equipment	700	-	700
	61,903	531	62,434
School			
	Funding Council £'000	Other Grant & Benefactions £'000	Total £'000
As at 1 August 2016			
Buildings	52,268	646	52,914
Equipment	800	-	800
	53,068	646	53,714
Capital grants received in year			
Buildings	-	-	-
Equipment	-	-	-
	-	-	-
Released to Income and Expenditure			
Buildings	(1,065)	(115)	(1,180)
Equipment	(100)	-	(100)
	(1,165)	(115)	(1,280)
As at 31 July 2017			
Buildings	51,203	531	51,734
Equipment	700	-	700
	51,903	531	52,434

23 Obligations under finance leases

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	School £'000	Consolidated £'000	School £'000
Due within one year	118	118	112	112
Due between one and five years	114	114	199	199
Due in five years or more	-	-	-	-
Total secured and unsecured loans	232	232	311	311

The finance leases relate to the lease of equipment. There are no unusual terms or conditions.
The net book value of the secured assets are £184k (2015/16: £293k)

24 Provisions for liabilities

Consolidated and School	Pension enhancements on termination £'000	Defined Benefit Obligations (Note 35) £'000	Total Pensions Provisions £'000	Onerous lease £'000	Total Other £'000
At 1 August 2016	1,232	10,912	12,144	15	15
Utilised in year	0	0	0	0	0
Utilised in year	(97)	780	683	(15)	(15)
Additions in 2016/17	0	0	0	0	0
Unused amounts reversed in 2016/17	0	0	0	0	0
At 31 July 2017	1,135	11,692	12,827	0	0

The provision for past service pensions relates to unfunded enhanced early retirements given in prior years. The provision was calculated by a firm of actuaries in July 2015 and this valuation was amended for movements in the year.
The onerous lease provision related to the lease for the former Students Union premises on Sauchiehall Street and was calculated over a period of 32 months.

Notes to the Financial Statements

Year ended 31 July 2017

25 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Unrestricted permanent endowments	Expendable endowments	2017 Total	2016 Total
	£'000	£'000	£'000	£'000	£'000
Balances at 1 August 2016					
Capital	3,360	-	359	3,719	3,624
Accumulated income	-	-	-	-	-
	3,360	-	359	3,719	3,624
New endowments	-	-	-	-	-
Investment income	257	-	-	257	198
Expenditure	(108)	-	-	(108)	(233)
Increase in market value of investments	408	-	12	420	130
Total endowment comprehensive income for the year	557	-	12	569	95
At 31 July 2017	3,917	-	371	4,288	3,719
Represented by:					
Capital	3,768	-	371	4,139	3,719
Accumulated income	149	-	-	149	-
	3,917	-	371	4,288	3,719
Analysis by type of purpose:					
Prize funds	3,917	-	-	3,917	3,360
General	-	-	371	371	359
	3,917	-	371	4,288	3,719
Analysis by asset					
Current and non-current asset investments				3,579	3,457
Cash & cash equivalents				709	262
				4,288	3,719

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

Expendable endowments are where the School is free to convert the capital to income and apply it to an appropriate objective as it sees fit.

26 Restricted Reserves

Reserves with restrictions are as follows:

GSA Development Trust

Balances at 1 August 2016

	2017 Total	2016 Total
	£'000	£'000
New donations	5,725	1,005
Expenditure	(6)	(213)

Total restricted comprehensive income for the year	5,719	792
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At 31 July 2017	7,791	2,072
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	2017 Total	2016 Total
	£'000	£'000
Analysis of other restricted funds /donations by type of purpose:		

Campus redevelopment (including Mackintosh restoration)	7,791	2,072
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	7,791	2,072
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Notes to the Financial Statements

Year ended 31 July 2017

27 Capital and other commitments

The School has entered into two capital projects in respect of the restoration of the Mackintosh building and the former Stow College building. The capital commitment with the main contractors for these projects is £ 22,081,684 at 31 July 2017.

28 Contingent liabilities

There were no contingent liabilities at the Balance Sheet date.

29 Lease obligations

Total rentals payable under operating leases:

	31 July 2017			Total £'000	31 July 2016 £'000
	Land and Buildings £'000	Plant and Machinery £'000	Other leases £'000		
Future minimum lease payments due:					
Not later than 1 year	1,632	-	-	1,632	1,591
Later than 1 year and not later than 5 years	3,918	-	-	3,918	4,077
Later than 5 years	17,375	-	-	17,375	18,312
Total lease payments due	22,925	-	-	22,925	23,980

Notes to the Financial Statements

Year ended 31 July 2017

30 Subsidiary and Joint Venture undertakings

GSofA Singapore pte

The school has a wholly owned subsidiary incorporated in Singapore. The School owns 100% of the share capital being 1SGD. Its financial results have been consolidated into the accounts for the year to 31 July 2017

The transactions between GSA and GSofA Singapore related to management costs paid from GSofA Singapore to GSA of £141,390 (2015/16: £229,471). A dividend of £300k (2016: £1,014k) was declared by GSofA Singapore pte in 2016/17. This has still to be paid to GSA at 31 July 2017. As at 31 July 2017, a debtor of £448k (2016: £1,244k) is included in the accounts of the School for these amounts.

Centre for Digital Documentation and Visualisation LLP

The School has entered into the above joint venture arrangement with Historic Environment Scotland. This joint venture digitally documents heritage sites both in Scotland and internationally and the School undertakes work, at arms length prices, for this joint venture.

Located at the School's Digital Design Studio on Pacific Quay the centre specialises in the precise documentation and 3D representation of heritage objects, architecture and environments utilising state of the art high resolution laser scanning technology and 3D visualisation software.

The share of the operating surplus was £9,000 (2015/16: £22,000). The value of the investment in the joint venture at the year end is £43,000 (2015/16: £34,000); £nil (2015/16 £45,566) is included in debtors at the year end.

GSA provided services to CDDV LLP of £250,051 (2015/16: £233,276)

The accounts are made up to 31 March annually to coincide with the year end of Historic Environment Scotland.

Glasgow School of Art Development Trust

This was established in 2010 to manage the philanthropic capital appeal for the new Graduate and Research Centre.

It is an independent charitable trust governed by a deed of trust and is registered with OSCR.

Its financial results have been consolidated into the accounts for the year to 31 July 2017

In the prior year £5m was donated by the Trust to GSA. This was money received from the UK Government and as such this was recognised as a deferred capital grant. No donations were made in 2016/17.

31 Related party transactions

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

The Board of Governors consider the relationships that the School has with GSA Enterprises Ltd and GSA Students Association to have the characteristics of related parties under the Financial Reporting Standard (FRS) 102.

GSA Enterprises Ltd. (GSAE)

At 31 July 2016 there was a gross loan of £310,000 which had a bad debt provision of £155,000 against it to leave a net balance of £155,000.

During 2016/17 a further loan of £80,000 was made.

In March 2017 the full balance of £390,000 was repaid to GSA to leave a £nil balance at 31 July 2017.

GSA Student Association (GSASA)

The School entered into a loan agreement with GSASA to assist them following the fire and the transfer of trading operations to the new premises in the Assembly Building.

The loan balance at 31 July 2017 is £270,000 (2016: £280,000). A bad debt provision of £270,000 (2016: £140,000) has been made in respect of this loan to leave a net balance of £nil (2016: £140,000) which is included in amounts owed by related parties in debtors.

Notes to the Financial Statements

Year ended 31 July 2017

32 Pension Schemes

The School's employees belong to two principal pension schemes; the Scottish Teachers' Superannuation Scheme (STSS) and a Local Government Pension Scheme administered by the Strathclyde Pension Fund (SPF) which are of the defined benefit type.

The cost of the SPF scheme was £1,309,000 (2015/16: £1,255,000) and the cost of the STSS was £1,185,000 (2015/16: £1,117,000).

Other pension costs totalled £60,000 (2015/16: £56,000)

Strathclyde Pension Fund (SPF)

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

This scheme, a multi employer defined benefits scheme, covers both past and present employees. A FRS102 valuation of the School's benefit obligations has been estimated by a qualified independent actuary.

assumptions as at 31 July 2017. The employer contribution rate for the period from 1 August 2016 to 31 July 2017 was 19.3% of pay.

The employee contribution rate was variable during 2016-17 depending upon the individual level of remuneration. The range was from 5.5% to 10.4%.

There were no outstanding pension contributions at the year end. Principal actuarial assumptions (expressed as weighted averages) at the end of the year were as follows:

Financial assumptions	2017	2016
Pension increase	2.50%	1.90%
Salary increase rate	4.50%	3.90%
Discount rate	2.70%	2.40%

Mortality assumptions

The average future life expectancies at age 65 used to determine benefit obligations are as follows:

	Male	Female
Current pensioners	22.1 years	23.6 years
Future pensioners	24.8 years	26.2 years

Fair value of the plan assets and the return on those assets were as follows:

	2017	2016
	£000	£000
Equities	27,479	24,206
Bonds	5,418	5,305
Property	4,257	3,648
Cash	1,549	-
	<u>38,703</u>	<u>33,159</u>

Analysis of the amount shown in the balance sheet

	2017	2016
	£000	£000
Fair value of plan assets	38,703	33,159
Present value of funded benefit obligations	(50,395)	(44,071)
Pension liability	<u>(11,692)</u>	<u>(10,912)</u>

Notes to the Financial Statements

Year ended 31 July 2017

Analysis of amounts included in other finance costs	2017	2016
Service costs	2,194	1,819
Interest on plan assets	(807)	(1,027)
Interest cost on defined benefit obligation	1,079	1,340
Net interest	272	313
	2,466	2,132
Employer contributions	(1,307)	(1,267)
Net charge on pension liability	1,159	865
Analysis of amount recognised in Other Comprehensive Income	2017	2016
	£000	£000
Actual return less expected return on pension scheme assets	3,754	3,135
Experience gains and losses arising on the scheme liabilities	-	330
Changes in financial assumptions underlying the present value of the scheme liabilities	(3,375)	(5,072)
Actuarial gain / (loss) recognised in OCI	379	(1,607)
Analysis of movements in present value of the scheme liabilities	2017	2016
	£000	£000
Opening defined benefit obligation	44,071	36,486
Current service cost	2,194	1,819
Interest cost	1,079	1,340
Contribution by members	458	442
Actuarial losses	3,375	4,742
Loss on curtailment	-	-
Benefits paid	(782)	(758)
Closing defined benefit obligation	50,395	44,071
Analysis of movements in fair value of the scheme assets	2017	2016
	£000	£000
Opening fair value of employer assets	33,159	28,046
Expected return on assets	807	1,027
Contributions by members	458	442
Contribution by employer	1,307	1,267
Actuarial gains	3,754	3,135
Benefits paid	(782)	(758)
Closing fair value of employer assets	38,703	33,159

The School expects to contribute approximately £1,307k to the Strathclyde Pension Fund in the next year.

The cumulative actuarial loss at 31 July 2017 was £5,386k (2015/16: £5,765k)

Notes to the Financial Statements

Year ended 31 July 2017

Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the SPF scheme liabilities are set out below:

Change in assumptions at 31 July 2017	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	12%	6,225
0.5% increase in the Salary Increase Rate	4%	2,081
0.5% increase in the Pension Increase Rate	8%	3,957

Scottish Teachers' Superannuation Scheme (STSS)

The scheme is an unfunded multi employer defined benefit scheme. Contributions, on a pay as you go basis, are credited to the exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purpose of determining contribution rates. Under the definitions set out in the Financial Reporting Standard 102 the STSS is a multi-employer pension scheme. The School is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly the School has accounted for its contributions as if it were a defined contribution scheme. The pension cost is assessed every five years in accordance with the advice of the Government Actuary.

The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:-

Valuation date	31 March 2010
Valuation method	Prospective benefits
Investment return per annum	4.6%
Rate of real earnings growth	1.5%
Present value of liabilities at date of valuation	£ 24.37 million
Pension increases per annum	2.8%

The employer contribution rate for the period from 1 August 2016 to 31 July 2017 was 17.2% (2015/16: 16.8%) of pay.

The employee contribution rate was 6.4% during 2016/17 (2015/16: 6.4%).

The scheme is an unfunded scheme and it is not intended that the scheme will have a level of financial assets which match the liabilities of the scheme. The full actuarial review of the scheme is available from the Government Actuary's Department.

There were no outstanding pension contributions at the year end.

Notes to the Financial Statements

Year ended 31 July 2017

33 Bursary and Other Student Support Funds

	Hardship £000	Childcare £000	2016 - 2017 Total £000	2015 - 2016 Total £000
Balance brought forward at 1 August 2015	-	-	-	-
Funds received in year	161	27	188	145
Expenditure	(161)	(27)	(188)	(145)
Balance carried forward at 31 July 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Grants are available solely for students; the School acts only as paying agent. The grants and related disbursements are therefore excluded from the Statement of Comprehensive Income

34 Contingent asset

The School has submitted a reclaim of VAT to HMRC in respect of the Reid Building for £501k. This claim has been rejected by HMRC however the School has now taken this to tribunal which is scheduled for March 2018.

