



2006

Annual Report & Accounts 2005–2006 Year ended 31 July 2006

CREATIVE FUTURES FUND

Mr Kenneth Adams
Mr Malcolm Allan
American Friends of Glasgow School of Art
Mr & Mrs Ian & Sheena Ballantyne
Dr & Mr Nan & Donald Blair
Mrs Kirsty Bowie
Mr & Mrs Donald & Anthea Brown
Lady Nancy Brown
Mr James Bruce
Mrs Lydia Burnet
Mrs Janet Cameron
Mrs Catriona Cattell-Jones
Mrs Margaret Crosbie
Ms Violet Denholm
Ms Patricia Douglas
Ms Roberta Doyle
Mr John Forrest
Mr Mark Gilbert
Ms Christine Hamilton
Mr & Mrs James & Phyllis Hamilton
Mrs Valerie Hamilton
Ms Antoinette Harper
Ms Tamara Hedderwick
Mrs Carol Hewitt
Mr Stephen Hoey
Mrs J B S Murray's Charitable Trust
Mr & Mrs Frank & Kathleen Kean
Mrs Eileen Kesson
Mr Nick Kuenssberg
Mr Alisdair Macdonald
Mrs Elise Macrae
Mary Andrew Charitable Trust
Mrs Sonja McKay
Mrs Elizabeth Myerscough
Mr Lyn Nelson
Mr Scott Parsons
Mrs Hannah Paterson
Mrs Margaret Pollok
Ms Elaine Price
Mrs Christine Shaw
Mr Fred Shedden
Mr Brian Shirley & Ms Jacky Brayton
Mr John Skinner
Mr Peter Warden
Mr Richard Weaver
Mr Raymond Williamson
The Alma & Leslie Wolfson Charitable Trust
The Tay Charitable Trust

SPONSORS

Beith Printing
City Inn
DLA Piper Rudnick Gray Cary Scotland LLP
Dog Digital Ltd
Forbo Nairn
Glasgow School of Art Enterprises
Highland Spring Ltd
Hiscox
Macfarlane Packaging
Mandors
Mr Frederick Spaulding
Standard Life Bank
Third Eye Design
Vladivar Foundation

MACKINTOSH CAMPAIGN

Mrs Helen Beaumont
Mr Kalman Bookman
Mr Stephen Dodgson
Glasgow City Council
Glasgow Dean of Guild Court Trust
Heritage Lottery Fund
Mr M E Jones
Mr Derek Mickel
Mr Jack Perry
Mr Alex Stephen
The Bellahouston Bequest Fund
The Gannochy Trust
The Garfield Weston Foundation
The Jones Foundation
The Monument Trust

SCHOLARSHIPS AND PRIZES

Mr Roger Ackling
Ms Karen Armstrong
Buchanan and Ewing Bequests
Mr J C T Fairbank
Mrs Jean Flemming
Friends of Glasgow School of Art
Incorporation of Bonnetmakers & Dyers
Incorporation of Hammermen
Incorporation of Skinners
Incorporation of Tailors
Incorporation of Weavers
Mr Terence Kealey
Keppie Design Ltd
Mr Alister MacCallum
Miller's the City Art Shop
Dr Kay Redfield Jamison
Mr Philip Reeves
Dr Simon Street
The Barns-Graham Charitable Trust
The Bellahouston Bequest Fund
The D W T Cargill Fund
The Gillian Purvis Trust
The Hope Scott Trust
The John Mather Charitable Trust
The Leverhulme Trust
The Robert Hart Trust
The Robertson Scholarship Trust
W M Mann Foundation
Mr & Mrs J & P E Woodhead

LEGACIES

The estate of Mrs Louise Marjorie Eglin
The Late Mr Clark Fyfe
The Late Mr Robert Ogilvie MacKenna

WEAVE PROJECT

Mary Andrew Charitable Trust
The Ernest Cook Trust
The James Wood Bequest Fund

**ANNUAL REPORT AND ACCOUNTS
YEAR ENDED 31 JULY 2006**

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**A COMPANY LIMITED BY GUARANTEE
(Company Register No. 2271)**

Patron	H.R.H. The Prince of Wales, Duke of Rothesay
Hon. President	The Lord Macfarlane of Bearsden KT
Hon. Vice President	Emeritus Professor Andrew MacMillan
Hon. Vice President	Eleanor Taffner
Chairman	Nick Kuenssberg OBE BA (Hons) FCIS CCMI FloD FRSA
Vice Chairman	Fred Shedden MA LLB
Director	Professor Seona Reid BA (Hons) D.Arts D.Litt FRSA
Deputy Director	Professor Allan Walker MA (Hons) Dip LA
Director of Finance and Resources	Eliot S Leviten BSc. (Hons) FCA

Conveners of Committees

Audit	John Batters LLB (Hons) NP
Business	Nick Kuenssberg OBE BA (Hons) FCIS CCMI FloD FRSA
Museums Management	Professor Alan Walker MA (Hons) Dip LA
Estates	Fred Shedden MA LLB
Remuneration	Nick Kuenssberg OBE BA (Hons) FCIS CCMI FloD FRSA
Human Resources	Christine Hamilton MA (Hons)
Nomination	Nick Kuenssberg OBE BA (Hons) FCIS CCMI FloD FRSA
Registered Office	167 Renfrew Street Glasgow G3 6RQ
Solicitors	McClure Naismith 292 St Vincent Street GLASGOW G2 5TQ
External Auditor	Grant Thornton UK LLP 95 Bothwell Street GLASGOW G2 7JZ
Bankers	Royal Bank of Scotland plc 393 Sauchiehall Street GLASGOW G2 3ND
Registered Charity Number	SCO 12490

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

Board of Governors & Directors

Governors Ex Officiis

	Prof. Seona Reid BA (Hons) D.Arts D.Litt FRSA	Director of the School
M	Prof. Allan Walker MA (Hons) Dip LA	Deputy Director of the School

Appointed by the Governing Board

A	Jeanette Anderson BAcc. CA (retired 9 October 2006)	
A	John A Batters LLB (Hons) NP	
	Katrina Brown MA (Hons)	
	Prof. Sir Graeme Davies FEng FRSE	
B,R,N	Roberta Doyle BA	
E	Thomas A Elder FRIAS	
A	William J English OBE CPFA (retired 12 June 2006)	
E	James M Faulds	
A,B,HR,R,N	Christine Hamilton MA (Hons)	
B,R,N	Afzal Khushi CBE (retired 11 December 2006)	
E	Professor Janice M Kirkpatrick MA (Des) BA (Des) FRSA D&AD	
B,R,N,E	Nick Kuenssberg OBE BA (Hons) FCIS CCMI FloD FRSA	
B,R,N	John McCormick MA	
	Ros Micklem BA (Hons) MPhil	
E	Paul Mugnaioni BSc (Hons) Arch AA Dip MSc (Econ)	
B,R,N	David J B Shearer B Acc CA FRSA	
A,E,B,HR,R,N	Fred C Shedden MA LLB	
B,E,HR	Amanda Dobbrazt	President Students' Representative Council
E	Mark Baines B. Arch Dip Arch (retired 12 June 2006)	Elected by the full-time Academic Staff
	Nicholas Oddy BA (Hons) PGDipDes MA(RCA) (appointed 15 June 2006)	Elected by the full-time Academic Staff
	Paul Cosgrove BA(Hons) PGDip	Appointed by the Academic Council
B,E,M	Ian Thomson BSc (Hons) (retired 12 June 2006)	Elected by the full-time Support Staff
	Kathy Molloy (appointed 1 August 2006)	Elected by the full-time Support Staff
	Eliot S Leviten BSc (Hons) FCA	Secretary to the Board of Governors

A – Member of Audit Committee
E – Member of Estates Committee
HR – Member of Human Resources Committee
R – Member of Remuneration Committee

B – Member of Business Committee
M – Member of Museums Committee
N – Member of Nominations Committee

Chairman's Statement

The Glasgow School of Art continues to build on its reputation as a world leader in the study and advancement of art, design and architecture. The results achieved by our students, post-graduates and staff during the last year are outstanding and fully justify this, starting with Simon Starling winning the 2005 Turner Prize, and including three Creative Scotland Awards, an Oscar nomination, UK student photographer of the year, first prize in the Scottish Institute for Enterprise business plan competition, bronze medal in the RIBA Presidents medals student awards and ending with Robin Lee as the Young Architect of the Year.

The accounts for the year ended 31 July 2006 show revenue of £15.8m (previous year £15.5m) with expenditure of £16.2m up 4.8%, increased by the substantial one-off cost of our early retirement fund revaluation, now required to be incorporated in our accounts. Without this revaluation, the surplus on continuing operations would be £7k rather than the loss shown of £377k; however it should be noted that the historical cost basis, used for sectoral comparative purposes, identifies a surplus of £1k.

Various members of the board and staff are active in consultations and contributions to future policy development in higher education, its contribution to Scottish culture and economy, the creative industries agenda and in developing the New Economic Strategy for Glasgow. The GSA is a serious contributor in these areas and we firmly believe that both creative industries and higher education should be amongst the new Scottish Enterprise economic clusters.

Undergraduate applications for session 2006/07 increased by 6.4%, above both the Scottish average of 1.6% and the UK fall of 3.4% while the drop-out rate of 2.9% is the lowest in Scotland. Both of these underline the health of the GSA undergraduate offering.

Critical to the future is the performance in the Research Assessment Exercise due to complete in autumn 2007; the GSA is committed to success in this area. Our highly research-active staff, working in research centres like the Digital Design Studio and in research clusters are firmly focused on this task. Successes this year include securing a very prestigious Research Councils UK Fellowship for five years and a major Heritage Lottery Fund grant to conserve and catalogue the archive of architecture firm Gillespie, Kidd and Coia leading to a publication and a major exhibition at the Lighthouse.

GSA staff members are also engaged in a series of other initiatives including the development of post-graduate courses, significant additional research and knowledge transfer projects and collaboration with other organisations in the educational and cultural worlds which will further promote the role and the profile of the School and its participation in the life of the city of Glasgow. Our first cohort of students has completed the new joint first year programme with the Central Academy of Fine Art in Beijing and 36 have progressed into second year in design and architecture in Glasgow. We launched Insight Out Learning, a web based resource for academic staff wishing to embed enterprise in the art and design curriculum and started a new Masters in Research: Creative Practices, the School's first interdisciplinary Masters working across all three schools. We also actively participated in the 2006 Mackintosh Festival and in developing the City's bid to UNESCO for World Heritage Site status for Mackintosh Masterpieces, namely the GSA's Mackintosh Building and Hill House.

The major tasks for the board of governors remain the development of three specific projects within the GSA real estate strategy.

- The £4.47m grant from the Heritage Lottery Fund for the £8m Mackintosh Conservation and Access Project has been confirmed. This will restore areas of the interior of the famous grade A listed building, conserve the School's outstanding collections and archives, enhance exhibition space, increase visitor numbers and build an interpretation area. We are now well on our way to raising the relevant matched funding.
- The Digital Design Studio, which has outgrown the House for an Art Lover in Bellahouston Park, is currently looking to move to the Digital Media Campus on Pacific Quay as an expanding post-graduate school. This relocation, vital to support the growth in research and postgraduate programmes, is making progress. We are optimistic of moving in autumn 2008 into custom-designed space provided by a developer, supported by Scottish Enterprise Glasgow, on a flexible lease and with capacity for further growth.
- The major programme is the redevelopment of the Garnethill Campus. A detailed Full Business Case was submitted to the Scottish Funding Council in March 2006. The vision for a new campus - concentrated around the Mackintosh Building and nearby on Renfrew Street, enhancing the quality of accommodation and creating capacity for research and student growth - is underpinned by a forward looking model for academic, financial and environmental sustainability. The SFC is clear that the redevelopment is a priority, given its scale and significance; discussions are ongoing about how the School's vision can realistically be realised.

Chairman's Statement continued

The board acknowledges with grateful thanks the various key partners in our strategic development and long term aspirations. These include the Scottish Funding Council who have underwritten the real estate option studies, Heritage Lottery for their grant of £4.6m, Scottish Enterprise who support the redevelopment and commercialisation of the output of the Digital Design Studio, the City of Glasgow who understand and support our real estate ambitions and fellow higher education institutions with whom we work collaboratively to promote higher education in Scotland. The educational world is not getting any easier as the challenges of international competition, a funding system based on inputs and formulae rather than outputs and success and the increasing demands of bureaucracy distract our staff.

We thank the many donors and supporters who have contributed time and money to our estates developments, to our Next Generation Scholarship Fund and to our Creative Futures Annual Fund including GSA Enterprises Ltd for their contribution of £75k and the Friends of the GSA for £33k towards student bursaries raised from the recent art auction. We were particularly struck by the generosity of the late Clark Fyfe who left his estate worth £816k to support scholarships and travel bursaries in the Architecture School and after whom we are pleased to name our architecture gallery.

In early 2007 we will launch our development capital campaign under the leadership of Jan McKenzie for the funding of the Garnethill Campus. We look to major contributions from alumni, friends, staff, supporters, legacies, trusts, charities and public bodies to complement funds from the Scottish Funding Council in order to help ensure that the board's vision can be achieved and sustained.

The board is fortunate to have an exceptionally able group of governors; unfortunately professional demands have led to the recent retirement of Jeanette Anderson and Afzal Khushi while Bill English has retired after 12 years of unstinting service throughout which he chaired the audit committee. I thank them and all the governors most sincerely for their contributions of time, support and wisdom over the years, without which the School would undoubtedly be the poorer.

We have seen some important retirements this year including Sam Ainsley, Jane Allan, Colin Porteous and Jackie Parry and we thank them for their significant contributions. However the GSA has continued to make a number of important senior appointments which include Dena Shottenkirk, Ken Neill, Mark Milne and the promotion of Jack Cunningham, and will underpin our planned progress in future years. We have an exceptional team led by director, Professor Seona Reid, and look forward to seeing the results of their commitment, mental energy, drive and stamina.

Nick Kuenssberg
Chairman

11 December 2006

Review of the year by the Governors

Results for the year ended 31 July 2006

Status and Mission

The School was incorporated as a company limited by guarantee and has charitable status and is committed to being a world leader in the study and advancement of Architecture, Design and Fine Arts. The School aims to produce creative, confident, highly motivated graduates able to flourish in their chosen field whilst ensuring that the School and its graduates play a leading role in the cultural, economic, social and educational life of the city, the nation and beyond.

Income & Expenditure Account

The Income and Expenditure Account on page 15 shows a surplus of £1k (£441k 2004/05) on historical cost basis and a deficit of £391k (surplus £30k 2004/05) on a revaluation basis, for the year ended 31 July 2006. Of the deficit £384k relates to an adjustment resulting from the triennial valuation of the pension liability relating to enhanced early retirements made some years ago, this being fully charged to this year's Income and expenditure Account. Income from tuition fees grew by 5.4% from £3,504k to £3,694k. Other income increased by 18% to £1,459k. Pay costs increased by 5.6% from £9,375k to £9,906k

Balance Sheet

The total net assets of the School increased by £565k to £18,480k. The cumulative Income and Expenditure Account reserve decreased from £977k as at 31 July 2005 to £964k as at 31 July 2006. The School's cash balances at the year-end have increased by £127k from £601k to £728k.

Financial Health Category

The Scottish Funding Council categorise Higher Education Institutions into three categories of Financial Health, using a scoring system i.e. "Very Weak", "Weak" and "Secure" categories. The School has been categorised as Secure on this basis.

Endowment Assets

The return on Endowment asset Investments (excluding the post year end receipt of £816k from the Fyfe bequest), comprising dividend and bank interest, was 4.15%, compared with 4.31% last year. The market value of the total Endowment assets held by the School rose from £1,438k to £2,310k a rise of £872k of which £816k relates to the post year end receipt of the Fyfe bequest.

Capital Projects

Capital Expenditure in the year was £900k, up on the previous year's figure of £541k. One of the main factors in this was the significant investment in a new students records system.

Cash Flow

The Cash Flow Statement shows a net inflow of £195k in the financial year (outflow £63k 2004/05) .

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 2006 the School had an average of 12 days purchases outstanding in trade creditors. With regards to the late payment of Commercial Debts (Interest) Act 1998 there are no matters to disclose.

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 foreign currency movement risk.

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 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.

Review of the year by the Governors – continued

Cash Flow Risk

The School has arranged a bank overdraft facility, which it does not currently utilise, with a floating rate of interest plus an agreed margin.

Future Developments

Student Recruitment

The School continues to receive more applications than it has funded places. The School is able to attract a proportion of overseas students and it is the intention, that over the period of the five year plan, the School should increase significantly the number of full-fee paying overseas students. The marketing strategy for recruitment of students is regularly reviewed as future recruitment may be significantly affected by changes to the tuition fees systems, the economic downturn and difficulties in obtaining visas in certain countries from which we recruit on a regular basis.

Estate

A detailed Full Business Case for the estate redevelopment was submitted to the Scottish Funding Council in March 2006. The vision for a new campus - concentrated around the Mackintosh Building and nearby on Renfrew Street, enhancing the quality of accommodation and creating capacity for research and student growth - is underpinned by a forward looking model for academic, financial and environmental sustainability.

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.

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 Involvement

Academic employees of the School elect one Governor to the Board of Governors and through the Academic Council appoint a second Governor. Support staff elect one Governor to the Board.

Governors, academic and support staff are represented on the Human Resources Committee together with union representatives.

Nick Kuenssberg
Chairman

11 December 2006

Corporate Governance Statement

The School is committed to employing best practice in all aspects of corporate governance. This summary describes the manner in which the School has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998, as amended. Whilst the School, being a company limited by guarantee with charitable status, does not fall within the regulations of the London Stock Exchange, the Board of Governors is satisfied that the School has complied throughout the period with the appropriate provisions of the Code. The purpose of the summary is to help the reader of the financial statements understand how the principles have been applied.

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 Board, through its Audit Committee, reviews and monitors its Risk Management Policy, the Risk Register and its Business Continuity Plan.

The Board of Governors is of the view that there is an ongoing process for identifying, evaluating and managing the School's significant risks that has been in place for the full year. This process is regularly reviewed by the Board of Governors and accords with the internal control guidance for delivery on the Combined Code as amended by the British Universities Finance Directors Group.

The Board of Governors comprises lay and academic persons appointed under the Statutes of the School, the majority of whom are non-executive. The roles of Chairman and Vice-Chairman 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 Statutes 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 and has seven Committees, Audit, Business, Human Resources, Estates, Museums, Remuneration, and Nominations. All of these Committees are formally constituted with terms of reference and comprise mainly lay members of the Board, one of whom is the chair.

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. It also recommends to the Board the Annual Accounts for approval. The Business Committee is 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 facilities and estate.

The Audit Committee is responsible for meeting with the External Auditors and Internal Auditors of the School and reviewing their findings. They consider detailed reports together with recommendations for the improvement of the School's systems of internal control and management's response and implementation plans. They also receive and consider reports from the Scottish Funding Council as they affect the School's business and monitor adherence with the regulatory requirements. The senior management team receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms which are embedded within the operational units and are reinforced by risk awareness training. The senior management team and the Audit Committee receive regular reports from internal audit which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal financial control. The Audit Committee's agenda includes regular consideration of risk and control and will receive reports thereon from the senior management team. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. The Audit Committee reports annually to the Board on risk management.

The Human Resources Committee is responsible for the preparation of policy relating to the employment of staff and the monitoring of the effective management of these affairs.

The Estates Committee is responsible for overseeing the implementation of the School's Estate Strategy.

The Remuneration Committee determines the remuneration of the most senior staff, including the Director.

The Museums Committee considers and makes recommendations on all matters relating to the Museum Collection belonging to the School.

The Nominations Committee seeks out and recommends new independent lay governors for appointment to the Board.

Corporate Governance Statement – continued

Guide to Governing Bodies

The Guide for Members of Governing Bodies of Scottish Higher Education Institutions and Good Practice Benchmarks was issued by SFC in January 1999. SFC have requested Institutions to compare their existing governance practices with these benchmarks and indicate where they consider them to be inappropriate or impractical to follow. The Board confirms that the School complies with both the spirit and with the 26 recommendations contained in the Guide.

Senior Management

This comprises the Director (Principal), Deputy Director and Director of Finance & Resources. They are responsible to the Board for the School's day-to-day management, policy and for the development and execution of the Strategic Plan. In respect of its strategic direction and responsibilities, the Board receives recommendations and advice from the Director.

The Director is the School's "Designated Officer", chairing the Directorate, the Executive Group and Academic Council. The Director represents the School on Universities Scotland and other external bodies.

Academic policy is devolved to the Director by the Board, as advised by Academic Council.

The Deputy Director has responsibility for overseeing the School's academic development and quality assurance procedures. He is chair of the Quality in Learning & Teaching Committee and Research Committees and deputises for the Director in her absence.

The Director of Finance & Resources is responsible for finance, estates, health & safety, IT and human resources matters in support of the School's academic purposes and acts as Secretary to the Board and Company.

Nick Kuenssberg
Chairman

11 December 2006

Governors' Biographies

Nick Kuenssberg OBE, BA (Hons), FCIS, CCMI, FloD, FRSA

Chairman

Nick is a businessman with an extensive international career and wide experience on many boards including Coats Viyella, Dynacast International, Dawson International, Scottish Power, Bank of Scotland (West) and Standard Life. He is currently chairman of Iomart Group, Keronite, Canmore Partnership and Scottish Networks International and deputy chairman of the Scottish Environment Protection Agency. He is also a member of the Scottish advisory committee of the British Council and of the Scottish committee of the Quality Assurance Agency. He was previously visiting professor at Strathclyde University, external examiner at Aberdeen Business School and chairman of the Institute of Directors (Scotland), ScotlandIS and Scotland the Brand.

Fred Shedden MA, LLB

Vice Chairman

Fred spent his entire professional career with McGrigor Donald (now McGrigors). He was managing partner from 1984 to 1992 and senior partner from 1993 until his retirement from the firm in April 2000. He is now the non-executive chairman of Halladale Group plc and a non-executive director of Iomart Group plc, Murray International Trust plc and Equitable Life Assurance Society. He is also a Board member of the Glasgow Housing Association and of The Centre for Confidence and Well-being Limited.

John Batters LLB NP

Educated at Hamilton Academy and Glasgow University John is a solicitor in private practice in Glasgow. Since 1991 he has practised on his own account and specialises in the fields of licensing, betting and gaming. He is a member of the Law Society of Scotland working Party on Licensing Law, and of the Accreditation panel for licensing specialists and a member of the Glasgow Licensing Forum. A consultant editor of Scottish Licensing Law and Practice, he is also an occasional contributor to seminars. John was chairman of the former Art Lovers' House Trust and has been a director of House for an Art Lover since its inception.

Katrina Brown MA (Hons), Diploma in Museum & Gallery Studies

Katrina gained an MA (Hons) in French Language & Literature at the University of Glasgow and then a Post-graduate Diploma in Museum and Gallery Studies at the University of St Andrews. Currently Curator/Deputy Director at Dundee Contemporary Arts, her earlier posts included Exhibitions Curator at the Tate, Liverpool and Exhibitions Organiser at Tramway, Glasgow. She is also an honorary lecturer at School of Fine Art, Duncan of Jordanstone. A former Committee member of the Transmission Gallery, Glasgow, Katrina has written extensive papers, articles and reviews.

Paul Cosgrove BA(Hons) PGDip

Paul began teaching at GSA in 1994. He is currently Academic Co-ordinator Sculpture and Environmental Art and also teaches on the New Media Course as part of the Masters in Art, Design and Architecture in Education. Paul is active in a wide number of areas across the school, including the FE/HE articulation group, initiation and development of a professional student placement programme for Fine Art students and the VLE steering committee. He has taught internationally in the USA and Japan, including Visiting Lecturer University of Toledo, Virginia Commonwealth and Georgia State University. He was previously awarded a *Churchill Fellowship* to undertake research into the application of digital technology within Fine Art. Teaching interests are embedded in research concerns; specifically how new technologies and electronic media can be developed across Fine Art Practice and Learning and Teaching.

Professor Sir Graeme Davies, FREng, FRSE

Sir Graeme is currently Vice-Chancellor of the University of London, previously Principal of the University of Glasgow from 1995 to 2003, Chief Executive of the Higher Education Funding Council for England from 1991 until 1995 after being Vice-Chancellor of the University of Liverpool from 1986 to 1991 and Professor of Metallurgy in the University of Sheffield from 1977 to 1986. He was educated in the School of Engineering of the University of Auckland, New Zealand.

At present he is Chairman of the Council for the Central Laboratory of the Research Councils and a member of the Board of Universities UK.

Governors' Biographies continued

Roberta Doyle BA

Roberta graduated in Business Administration from the University of Strathclyde and has occupied senior marketing and communications' roles with Scotland's largest cultural organisations. She is currently Director of External Affairs with Scottish Opera. From 2000 to 2004 she was Director of Public Affairs with the National Galleries of Scotland and has held similar posts with Scottish Ballet, Glasgow City Council's Department of Performing Arts and Venues and the Citizens' Theatre. She has lectured and taught widely in the UK and abroad on strategic issues relating to arts audiences, marketing, communications, audience development and management.

Amanda Dobbratz

Amanda graduated in 2004 from the University of Wisconsin-Stout with a BFA in Fine Art Magna Cum Laude. During her undergraduate degree, Amanda served as a teaching assistant for the ceramics department and Music Director of UW-Stouts entertainment board. In autumn 2004 she came to Glasgow School of Art to study on the MFA and is currently taking a second sabbatical year as President of the Students Representative Council, having been re-elected by her fellow students. Amanda has shown work in the United States and the United Kingdom and was published in the New American painters in August 2005.

Tom Elder FRIAS

Tom studied Architecture at the Glasgow School of Art from 1963-70. He has worked in private practice in England and Scotland and was a design tutor at both the Mackintosh School of Architecture and Strathclyde University and external examiner for the Interior Design degree course at Caledonian University.

In 1981 he co-founded the practice of Elder and Cannon Architect, where he takes an active involvement in all aspects of design and production and the administration of the practice.

Jim Faulds

Jim founded the Faulds Group in 1985, managing it to become the UK's biggest marketing services business outside London, before selling his entire stake in the Group in December 2001.

He is currently developing a number of businesses as director and/or investor of the following companies: Dunfermline Building Society, Giles Insurance Brokers, Newhaven Advertising, Scottish Exhibition & Conference Centre, The Listening Company, Wood Mackenzie and Go Lower.

Christine Hamilton MA (Hons)

Christine is the Director of the Centre for Cultural Policy Research at the University of Glasgow - which she established in 2001. Prior to joining the University she worked for 25 years in the cultural sector in areas of cultural development, policy and management for Glasgow City Council and Scottish Arts Council and previously arts officer for the Scottish TUC. Earlier she held management and administration roles in TAG Theatre Company, Glasgow Arts Centre, Third Eye Centre, 7:84 Theatre Company and the Citizens' Theatre. She is a graduate of the University of Glasgow in Drama and English and has a Diploma in Arts Administration from City University, London and is a Director of the Traverse Theatre, Edinburgh and a non-executive Director of Scottish Television.

Professor Janice Kirkpatrick MA (Des), BA (Des), FRSA, D & AD

Janice graduated from Glasgow School of Art winning the Newberry Medal in 1984 and continues to be Visiting Professor and Governor. She is a graphic designer and founding Director of Graven Images.

Janice is also a curator, writer and broadcaster and has lectured worldwide on design, creativity and the Creative Industries. She is Chairman of The Lighthouse, Scotland's Centre for Architecture, Design and the City.

Governors' Biographies continued

John McCormick MA

John McCormick graduated MA with Honours in History and Economic History from Glasgow University in 1967 and taught while completing an M.Ed. degree to which he has added three honorary doctorates. He joined the BBC Education Department in 1970 and BBC Scotland's management team as Secretary and Head of Corporate Affairs and moved to London on his appointment as the Secretary of the BBC, responsible to the Chairman and Director-General for the governance of the organisation while acting as the link with the Government sponsoring department on BBC matters.

John returned to Scotland in 1992 and served as Controller (Chief Executive) of BBC Scotland until April 2004, responsible for all BBC activities in Scotland. He currently chairs the Scottish Qualifications Authority and the Edinburgh International Film Festival and is a member of the boards of Lloyds TSB Scotland, Scottish Screen, Glasgow Science Centre, Scottish Opera and a Governor of the RSAMD.

Ros Micklem BA (Hons) MPhil

Ros has been Principal at Cardonald College in Glasgow since 1997. Having started her career as a lecturer in English and Communications in Oxfordshire, she worked as an education officer in two local authorities before returning to college life. She was a member of the Scottish Further Education Funding Council from 2003 until its abolition in October 2005, and co-chaired the HE and FE Funding Councils' joint Learning and Teaching Committee. She has served on the Executive of the West of Scotland Wider Access Forum, of which she chaired in 2002/03. Ros has a particular interest in social justice and equality of opportunity and is currently on the boards of two local Community Planning Partnerships, the GalGael Trust and Lead Scotland and was awarded the title 'Britain's Best Boss 2004' in a competition run by the Working Families charity with Lloyds TSB in recognition of the college's good practice.

Kathy Molloy

Kathy joined the Glasgow School of Art in September 1980 as a Library Assistant and became Library Administrator in 2001. She has been involved in many of the major changes which have occurred in the library over the years including moving to a new location and significant expansion of the department.

She has negotiated on behalf of Unison members for the past 12 years, serving on various school committees in this capacity.

Paul Mugnaioni BSc (Hons) Arch AA Dip MSc (Econ)

Paul is Chairman and Chief Executive of Quality Street. Which he founded in 1987 after five years as Director of Housing for the City of Glasgow. Also based in Glasgow, Quality Street developed, owned and managed one of the largest portfolios of quality privately rented homes in the UK. In November 1995 the European Foundation for Entrepreneurship Research designated "*Paul Mugnaioni and his Company Quality Street Limited as a member of Europe's 500 Dynamic Entrepreneurs*" In 1997 Paul sold the rental portfolio and since then Quality Street has focussed more narrowly on residential investment, creating a series of innovative developments throughout Scotland including Glasgow's award-winning *Galleria*.

Paul is a graduate of Strathclyde University, the Architectural Association School of Architecture, and University College London.

Nicholas Oddy BA(Hons) PGDipDes MA(RCA)

Nicholas studied Ceramics and Glass at Edinburgh College of Art (BA Hons and PG Dip) then awarded the Associates of the V&A scholarship to the Royal College of Art and Victoria & Albert Museum to study design history. Taught at Tess-side and Duncan of Jordanstone (Dundee), before taking up current post in Glasgow in 1993. Related roles are Regional Representative of the Design History Society and President of the GSA UCU. His research interests focus on late 19th and 20th century mass manufactures, particularly the cycle and toy industries. Chair of the Cycle Touring and Countryside Trust, and member of the steering group of the International conference of Cycling History. He also advises auction rooms for specialist sales of cycles and cycling memorabilia and collectors' items. Member of many clubs and societies related to these areas.

Governors' Biographies continued

Professor Seona Reid BA (Hons) D.Arts D.Litt FRSA

Director

Seona Reid was appointed Director of Glasgow School of Art in 1999 following an extensive career in the arts including being Director of the Scottish Arts Council from 1990 to 1999 and holding senior posts in Greater London Arts, Shape, Ballet Rambert and the Lincoln Theatre Royal. She is currently vice chair of the Lighthouse, on the British Council Scottish Committee; the Arts and Humanities Research Council Knowledge and Evaluation Committee and the boards of Cove Park and Suspect Culture. Seona has honorary degrees from Robert Gordon and Glasgow Caledonian Universities and from the University of Glasgow all for services to the arts in Scotland. She is an honorary professor of the University of Glasgow.

David J B Shearer B Acc CA FRSA

David is a Non Executive Director of HBOS plc, Martin Currie Limited and Scottish Financial Enterprise and a strategic adviser to a number of businesses. Prior to this he was the senior partner of Deloitte & Touche for Scotland & Northern Ireland and a UK Executive Board member. He was a corporate financier for 20 years and was Global Director of Corporate Finance for Deloitte for 3 years managing the strategic development of corporate finance in 25 countries. David is a Chartered Accountant and a graduate of the University of Glasgow and the Leadership Development Programme at Columbia Business School.

Professor Allan Walker MA (Hons) Dip LA Deputy Director and Director of Academic Development

Allan Walker joined GSA in June 2004 and is a member of the Scottish Higher Education Enhancement Committee, the ELIR Steering Committee, and is a QAA appointed reviewer. Allan studied at Oxford and Edinburgh Universities before qualifying as a member of the Landscape Institute and was formerly Vice Principal at Wimbledon School of Art. He has extensive experience of collaborative project work and is on the management groups for the Centre for Creative Education, the International Drawing Research Centre and the Macintosh Research Centre for Archives and Collections.

Responsibilities of the Board of Governors

In accordance with the School's Memorandum and Articles of Association, 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 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 in Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the 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. The Board is also responsible for the appointment of the Director, Deputy Director and the Director of Finance & Resources.

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;
- 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 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;
- secure the economical, efficient and effective management of the School's resources and expenditure.

In accordance with company law, as the company's Board we certify that:

- so far as we are aware, there is no relevant audit information of which the School's auditors are unaware; and
- as Governors of the School we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the School's auditors are aware of that information.

By order of the Board

Nick Kuenssberg
Chairman

Professor Seona Reid
Director

Eliot S Leviten
Director of Finance & Resources

11 December 2006

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BOARD OF GOVERNORS OF GLASGOW SCHOOL OF ART

We have audited the financial statements of the Glasgow School of Art for the year ended 31 July 2006, which comprise the principal accounting policies, the income & expenditure account, the statement of historical cost surpluses and deficits, the statement of recognised gains and losses, the balance sheet, the cashflow statement and notes 1 to 31. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the members of the Board of Governors, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we may state to the members of the Board those matters we are required to state to them in an auditors report and for no other purposes. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Board of Governors and Auditors

The Board of Governors is responsible for preparing the annual report. As described on page 13, this includes responsibility for preparing the accounts in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions and applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Our responsibilities, as independent auditors, are to audit the financial statements in accordance with relevant legal and regulatory requirements, International Standards on Auditing (UK and Ireland), the requirements of the Scottish Funding Council's *Code of Audit Practice* and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions and the Companies Act 1985. We also report to you if, in our opinion, the Board of Governors' report is not consistent with the accounts, if the School has not kept proper accounting records, if the accounting records do not agree with the accounts or if we have not received all the information and explanations we require for our audit.

We also are required to report to you our opinion as to whether:

- 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 any other terms and conditions attached to them; and
- income has in all material respects, been applied in accordance with relevant legislation and with the School's *Financial Memorandum*, dated 1 August 1999, with the Scottish Funding Council.

We review whether the Corporate Governance Statement on pages 7 and 8 complies with the requirements of the Scottish Funding Council. We report if the statement is misleading or inconsistent with the other information we are aware of from our audit.

We read the other information contained in the annual report and consider whether it is consistent with the audited accounts. This other information comprises only the Chairman's Statement, the Review of the year by the Governors and the Responsibilities of the Governing Board. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of Audit Opinions

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) and the Scottish Funding Council's *Code of Audit Practice*. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Board of Governors in the preparation of the accounts, and of whether the accounting policies are appropriate to the School's circumstances, consistently applied and adequately disclosed.

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

Opinions

In our opinion:

- the accounts give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the School as at 31 July 2006 and of its deficit of income over expenditure and cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions and the Companies Act 1985;
- 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 any other terms and conditions attached to them; and
- income has, in all material respects, been applied in accordance with relevant legislation and with the School's *Financial Memorandum*, dated 1 August 1999, with the Scottish Funding Council.
- the information given in the Review of the year by the Governors is consistent with the financial statements for the year ended 31 July 2006

THE GLASGOW SCHOOL OF ART
INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 July 2006

	<i>Notes</i>	Year Ended 31 July 2006 £000	Year Ended 31 July 2005 £000
INCOME			
Funding Council Grants	1	9,897	9,809
Tuition fees and education contracts	2	3,694	3,504
Research grants and contracts	3	609	802
Other income	4	1,459	1,234
Endowment and Investment income	5	140	142
Total income		<u>15,799</u>	<u>15,491</u>
EXPENDITURE			
Staff pay costs	6	9,906	9,375
Pension revaluation	16	384	-
Depreciation	11	939	912
Other operating expenses	8	4,842	5,033
Interest payable	9	105	108
Total expenditure		<u>16,176</u>	<u>15,428</u>
(Deficit)/surplus on continuing operations after depreciation of assets at valuation		(377)	63
Taxation		-	-
(Deficit)/surplus on continuing operations after depreciation of assets at valuation and taxation		<u>(377)</u>	<u>63</u>
Accumulated income retained within specific endowments	18	(14)	(33)
(Deficit)/surplus for the year retained within general reserves		<u>(391)</u>	<u>30</u>

The income and expenditure account is in respect of continuing activities

STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS
For the year ended 31 July 2006

	<i>Notes</i>	Year Ended 31 July 2006 £000	Year Ended 31 July 2005 £000
(Deficit)/surplus on continuing operations after depreciation of assets at valuation and taxation		(377)	63
Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the re-valued amount	20	378	378
Historic cost surplus before and after taxation		<u>1</u>	<u>441</u>

The accompanying accounting policies and notes form part of these financial statements

THE GLASGOW SCHOOL OF ART

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 July 2006

	<i>Notes</i>	Year Ended 31 July 2006 £000	Year Ended 31 July 2005 £000
(Deficit)/surplus on continuing operations after depreciation of assets at valuation and taxation		(377)	63
Appreciation of endowment asset investments	18	42	108
New endowments	18	816	32
Total recognised gains relating to the period		<u>481</u>	<u>203</u>
 Reconciliation			
Opening reserves and endowments		15,850	15,647
Total recognised gains for the year		481	203
Closing reserves and endowments		<u>16,331</u>	<u>15,850</u>

The accompanying accounting policies and notes form part of these financial statements

THE GLASGOW SCHOOL OF ART

BALANCE SHEET
As at 31 July 2006

	<i>Notes</i>	2006 £000	2005 £000
Fixed Assets			
Tangible assets	11	19,663	19,702
Endowment Assets	12	2,310	1,438
Current Assets			
Stocks		75	63
Debtors	13	1,439	1,127
Cash at bank and in hand		728	601
		<hr/>	<hr/>
		2,242	1,791
Creditors: amounts falling due within one year	14	(2,558)	(2,040)
		<hr/>	<hr/>
Net current liabilities		(316)	(249)
		<hr/>	<hr/>
Total assets less current liabilities		21,657	20,891
Creditors: amounts falling due after more than one year	15	(1,805)	(1,855)
Provisions for liabilities and charges	16	(1,372)	(1,121)
		<hr/>	<hr/>
NET ASSETS		18,480	17,915
		<hr/> <hr/>	<hr/> <hr/>
Deferred capital grants	17	2,149	2,065
Endowments			
Specific	18	2,017	1,147
General	18	293	291
		<hr/>	<hr/>
		2,310	1,438
Reserves			
Revaluation reserve	19	13,057	13,435
Income and expenditure account	20	964	977
		<hr/>	<hr/>
Total reserves		14,021	14,412
		<hr/>	<hr/>
TOTAL		18,480	17,915
		<hr/> <hr/>	<hr/> <hr/>

The accompanying accounting policies and notes form part of these financial statements

The financial statements on pages 15 to 30 were approved on 11 December 2006 and signed on behalf of the Board by:

Nick Kuenssberg, Chairman

Professor Seona Reid, Director

THE GLASGOW SCHOOL OF ART

CASH FLOW STATEMENT
For the year ended 31 July 2006

	<i>Notes</i>	2006 £000	2005 £000
Cash flow from operating activities	21	871	438
Returns on investments and servicing of finance	22	35	34
Capital expenditure and financial investment	23	(663)	(479)
Financing	24	(48)	(56)
		<hr/>	<hr/>
Increase/(decrease) in cash in the year		195	(63)
		<hr/> <hr/>	<hr/> <hr/>
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the period		195	(63)
Movement in capital debt		48	56
		<hr/>	<hr/>
Change in net debt		243	(7)
Net debt at 1 August		(739)	(732)
		<hr/>	<hr/>
Net Debt at 31 July	25	(496)	(739)
		<hr/> <hr/>	<hr/> <hr/>

The accompanying accounting policies and notes form part of these financial statements

Statement of Principal Accounting Policies

1 Accounting Convention

The accounts have been prepared under the historical cost convention, modified to include the revaluation of endowment asset investments and land and buildings at valuation, and in accordance with the Statement of Recommended Practice: Accounting in Further and Higher Education Institutions 2003 (SORP) and applicable Accounting Standards.

2 Recognition of Income

Income from the Scottish Funding Council, research and project funds and endowment assets investments is credited to the Income and Expenditure account on a receivable basis. Income from specific endowments and donations, research and project funds is matched to the expenditure incurred during the year.

3 Pension Schemes

Members of the academic staff are covered by the Scottish Teachers' Superannuation Scheme to which the School contributes. Other staff of the School are covered by the Strathclyde Pension Fund (Local Government Superannuation Scheme). Again, the School contributes as the employer. Each of these is a defined benefits scheme for which payments are made and charged annually in the accounts as part of the employment costs. Under statute, accounts for these schemes are prepared by the relevant bodies. A small number of staff are in other pension schemes but the School would only contribute if the employee was ineligible to join one of the two main public sector schemes.

4 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 historic 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.

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 grant, it is depreciated as above. The related grant is treated as a deferred capital grant and released to the income and expenditure account over the period stated above.

5 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 income and expenditure account 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 grant, it is depreciated as above. The related grant is treated as a deferred capital grant and released to the income and expenditure account 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.

6 Leased assets

Operating leases and the total payments made under them are charged to the income and expenditure account on a straight line basis over the lease term.

7 Investments

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

8 Stocks

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

9 Maintenance of Premises

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

10 Taxation Status

The School has been granted charitable status by the Inland Revenue. Irrecoverable Value Added Tax on expenditure is charged to the Income and Expenditure account or, in the case of capitalised buildings and equipment costs, in the balance sheet.

11 Provisions

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

NOTES TO ACCOUNTS

1	Funding Council Grants		Year Ended 31 July 2006 £000	Year Ended 31 July 2005 £000
		<i>Notes</i>		
	SFC recurrent grant teaching		6,951	6,772
	Funding for increased STSS contributions		173	157
	SFC recurrent grant research		1,446	1,408
	SRIF grant		309	130
	Small specialist institution grant		435	425
	HR modernisation grant		-	140
	Other SFC grants		486	602
	Deferred capital grant released in year			
	Buildings	17	97	97
	Equipment	17	-	78
			<hr/>	<hr/>
			9,897	9,809
			<hr/> <hr/>	<hr/> <hr/>
2	Tuition Fees and Education Contracts		Year Ended 31 July 2006 £000	Year Ended 31 July 2005 £000
	UK higher education students		1,898	1,834
	European Union (EU) (excluding UK) students		108	90
	Non EU students		1,397	1,313
	Non vocational courses		291	267
			<hr/>	<hr/>
			3,694	3,504
			<hr/> <hr/>	<hr/> <hr/>
3	Research Grants and Contracts		Year Ended 31 July 2006 £000	Year Ended 31 July 2005 £000
	Research councils		152	90
	European Commission		130	156
	UK governmental contracts		49	236
	Other grants and contracts		132	143
	UK industrial and commercial contracts		146	177
			<hr/>	<hr/>
			609	802
			<hr/> <hr/>	<hr/> <hr/>
4	Other Income		Year Ended 31 July 2006 £000	Year Ended 31 July 2005 £000
	Residences		511	463
	Release from deferred grants (Non SFC)	17	3	3
	Other income generating activities		260	302
	Other income		685	466
			<hr/>	<hr/>
			1,459	1,234
			<hr/> <hr/>	<hr/> <hr/>
5	Endowment and Investment Income		Year Ended 31 July 2006 £000	Year Ended 31 July 2005 £000
	Income from specific endowments	18	51	51
	Income from general endowments	18	11	11
	Bank interest		78	80
			<hr/>	<hr/>
			140	142
			<hr/> <hr/>	<hr/> <hr/>

NOTES TO ACCOUNTS – continued

6 Staff Costs	Year Ended 31 July 2006	Year Ended 31 July 2005
<p>The average monthly number of persons (including senior postholders) employed by the School during the period, expressed as full-time equivalents, was:</p>		
	Number	Number
Teaching departments	128	130
Teaching support services	68	67
Other support services	30	33
Administration and central service	32	29
Premises	48	46
Residences	1	1
	<u>307</u>	<u>306</u>
<p>Analysed as</p>		
Staff on permanent contracts	271	251
Staff on temporary and other contracts	36	55
	<u>307</u>	<u>306</u>
<p>Staff costs for the above persons</p>		
	Year Ended 31 July 2006 £000	Year Ended 31 July 2005 £000
Wages & salaries	8,415	7,977
Social security costs	645	606
Pensions	846	792
	<u>9,906</u>	<u>9,375</u>
<p>Analysed as</p>		
Staff on permanent contracts	9,156	8,229
Staff on temporary and other contracts	750	1,146
	<u>9,906</u>	<u>9,375</u>
<p>Staff costs by activity</p>		
	Year Ended 31 July 2006 £000	Year Ended 31 July 2005 £000
Teaching departments	5,410	5,293
Teaching support services	1,506	1,418
Other support services	832	869
Administration and central services	1,242	1,059
Premises	881	704
Residences	35	32
Total	<u>9,906</u>	<u>9,375</u>
<p>The number of staff, excluding governors, who received emoluments in the following ranges was:</p>		
£75,001 - £80,000	2	2
	<u>2</u>	<u>2</u>

NOTES TO ACCOUNTS – continued

7 **Governors' Emoluments**

Year Ended	Year Ended
31 July 2006	31 July 2005
£000	£000

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

	Number	Number
Nil	19	16
£1 - £5,000	1	-
£30,001 - £35,000	1	-
£35,001 - £40,000	1	1
£40,001 - £45,000	1	2
£45,001 - £50,000	1	-
£70,001 - £75,000	1	1
£95,001 - £100,000	-	1
£100,001 - £105,000	1	-
	<hr/>	<hr/>
	25	21
	<hr/> <hr/>	<hr/> <hr/>

The Governors' emoluments are made up as follows:

	Year Ended	Year Ended
	31 July 2006	31 July 2005
	£000	£000
Salaries	265	259
Pension contributions	32	34
	<hr/>	<hr/>
Total emoluments	297	293
	<hr/> <hr/>	<hr/> <hr/>

The above emoluments include amounts payable to the Director (who is also the highest paid postholder) of:

	Year Ended	Year Ended
	31 July 2006	31 July 2005
	£000	£000
Highest paid Director - The Director of the School		
Salary	88	85
Pension contributions	13	12
	<hr/>	<hr/>
	101	97
	<hr/> <hr/>	<hr/> <hr/>

The pension contributions in respect of the Director of the School and senior post holders are in respect of employer's contributions to the respective schemes and are paid at the same rate as for other employees.

NOTES TO ACCOUNTS – continued

8 Other Operating Expenses by Activity	Year Ended 31 July 2006 £000	Year Ended 31 July 2005 £000
Teaching departments	1,739	1,802
Contracted-out lecturing services	22	29
Teaching support services	283	302
Other support services	437	403
Administration and central services	708	766
General education	46	39
Premises costs	728	796
Planned maintenance	413	416
Other income generating activities	67	124
Catering and residence operations	334	312
Other expenses	65	44
	<u>4,842</u>	<u>5,033</u>

Other operating expenses include	Year Ended 31 July 2006 £000	Year Ended 31 July 2005 £000
Auditors' remuneration		
External audit	12	12
External audit other services	2	2
Internal audit	11	11

9 Interest Payable	Year Ended 31 July 2006 £000	Year Ended 31 July 2005 £000
Mortgages and loans not repayable within five years	105	108
	<u>105</u>	<u>108</u>

- 10 **Taxation**
The Board do not believe the School was liable for any Corporation Tax arising out of its activities during this period. (2004/05 – Nil)

NOTES TO ACCOUNTS – continued

11 Tangible Fixed Assets	Freehold Land & Buildings £000	Equipment £000	Total £000
Valuation / Cost			
At 1 August 2005	28,588	2,553	31,141
Additions at cost	173	727	900
	<hr/>	<hr/>	<hr/>
At 31 July 2006	28,761	3,280	32,041
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At valuation 1995	17,933	-	17,933
At cost	10,828	3,280	14,108
	<hr/>	<hr/>	<hr/>
At 31 July 2006	28,761	3,280	32,041
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation			
At 1 August 2005	9,914	1,525	11,439
Charge for Year	668	271	939
	<hr/>	<hr/>	<hr/>
At 31 July 2006	10,582	1,796	12,378
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net Book Value			
At 31 July 2006	18,179	1,484	19,663
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 1 August 2005	18,674	1,028	19,702
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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 £14,252,779 have been funded from Treasury sources. Should these particular buildings be sold, the School would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum with the Scottish Funding Council.

If inherited land and buildings had not been valued they would have been included at the following amounts:

	2006
	£000
Cost	10,712
Aggregate depreciation based on cost	5,590
	<hr/>
Net book value based on cost	5,122
	<hr/> <hr/>

NOTES TO ACCOUNTS – continued

12 Endowment Assets	31 July 2006 £000	31 July 2005 £000
Balances as at 1 August 2005	1,438	1,265
Additions (note 23)	251	112
Disposals (note 23)	(304)	(142)
Increase in cash balances held at fund managers	67	95
Bequest due in respect of Mr C Fyfe	816	-
Appreciation of endowment asset investments	42	108
	<hr/>	<hr/>
Balances as at 31 July 2006	2,310	1,438
	<hr/> <hr/>	<hr/> <hr/>
Represented by:		
Fixed Interest Stocks (listed)	359	364
Equities (listed)	504	511
Bequest funds received post year end	816	-
Bank balances (note 25)	631	563
	<hr/>	<hr/>
Total	2,310	1,438
	<hr/> <hr/>	<hr/> <hr/>
13 Debtors	31 July 2006 £000	31 July 2005 £000
Trade debtors	260	295
European funding	102	72
Debts due from students	43	37
Prepayments and accrued income	1,034	723
	<hr/>	<hr/>
	1,439	1,127
	<hr/> <hr/>	<hr/> <hr/>
Included in the above is £412k relating to the costs of preparing the GSA Estates strategy which will either be capitalised when the project proceeds or will require to be written off if the project does not proceed.		
14 Creditors: Amounts Falling Due Within One Year	31 July 2006 £000	31 July 2005 £000
Trade creditors	156	262
Social security and other taxes payable	231	235
Other creditors	115	50
Loans (secured) (note 15)	50	48
Payments in advance	126	131
Accruals and deferred income	1,880	1,314
	<hr/>	<hr/>
	2,558	2,040
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO ACCOUNTS – continued

15 Creditors: Amounts Falling Due After One Year		31 July 2006	31 July 2005
		£000	£000
Combined loan (secured)		1,855	1,903
		<hr/>	<hr/>
Less: amount falling due within one year (note 14)		1,855 50	1,903 48
		<hr/>	<hr/>
		1,805	1,855
		<hr/> <hr/>	<hr/> <hr/>
Instalments on the loans above are payable as follows:			
Between one and two years		53	50
Between two and five years		178	169
After five years		1,574	1,636
		<hr/>	<hr/>
		1,805	1,855
		<hr/> <hr/>	<hr/> <hr/>
Details of loans:			
Combined loan	Loan repayable by quarterly instalments until December 2026		
	Loan rate 5.59% (fixed) secured on the Sir Harry Barnes Building and the Margaret McDonald House Residence		

16 Provision for Liabilities and Charges		Provision for past service pensions	Total
		£000	£000
Balances as at 1 August 2005		1,121	1,121
Provision for increase in actuarial valuation of enhanced early retiral costs		384	384
Expenditure in year		(133)	(133)
		<hr/>	<hr/>
As at 31 July 2006		1,372	1,372
		<hr/> <hr/>	<hr/> <hr/>

The provision for the past service pensions relates to unfunded early retirements given in prior years. The provision was calculated by a firm of actuaries in 2006.

17 Deferred Capital Grants		Funding Council	Other Grants and Benefactions	Total
		£000	£000	£000
At 1 August 2005				
Buildings		1,953	112	2,065
Equipment		-	-	-
		<hr/>	<hr/>	<hr/>
		1,953	112	2,065
		<hr/>	<hr/>	<hr/>
Capital grants received in year				
Buildings		-	-	-
Equipment		184	-	184
		<hr/>	<hr/>	<hr/>
		184	-	184
		<hr/>	<hr/>	<hr/>
Released to Income and Expenditure				
Buildings		(97)	(3)	(100)
Equipment		-	-	-
		<hr/>	<hr/>	<hr/>
		(97)	(3)	(100)
		<hr/>	<hr/>	<hr/>
As at 31 July 2006				
Buildings		1,856	109	1,965
Equipment		184	-	184
		<hr/>	<hr/>	<hr/>
		2,040	109	2,149
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NOTES TO ACCOUNTS – continued

18 Endowments			
	Specific £000	General £000	Total £000
At 1 August 2005	1,147	291	1,438
Income for the year	51	11	62
Expenditure for year	(26)	(22)	(48)
Accumulated income retained	25	(11)	14
Additions	816	-	816
Appreciation of endowment asset investments	29	13	42
At 31 July 2006	2,017	293	2,310
Representing			
Prize Funds	2,017	-	2,017
Other funds	-	293	293
	2,017	293	2,310
19 Revaluation Reserve		31 July 2006 £000	31 July 2005 £000
Balances as at 1 August 2005		13,435	13,813
Released in year to Income & Expenditure		(378)	(378)
At 31 July 2006		13,057	13,435
20 Income and Expenditure Account			
	General Funds £000	Departmental Balances £000	Total £000
At 1 August 2005	952	25	977
(Deficit) after depreciation at valuation	(391)	-	(391)
Transfer from departmental balances	11	(11)	-
Release of Revaluation Reserve	378	-	378
At 31 July 2006	950	14	964
21 Reconciliation of operating surplus to Net Cash Flow from Operating Activities	<i>Notes</i>	31 July 2006 £000	31 July 2005 £000
(Deficit)/surplus after depreciation of assets at valuation		(377)	63
Depreciation	11	939	912
Deferred grants released to income	17	(100)	(178)
Endowment and investment income		(140)	(142)
Interest payable	9	105	108
(Increase)/decrease in stock		(12)	11
(Increase) /decrease in debtors		(312)	(710)
Increase in creditors		517	511
Increase/(decrease) in provisions	16	251	(137)
Net cash inflow from operating activities		871	438

NOTES TO ACCOUNTS – continued

22	Returns on Investments and Servicing of Finance	<i>Notes</i>	Year Ended 31 July 2006 £000	Year Ended 31 July 2005 £000
	Income from endowments	18	62	62
	Interest received on current accounts		78	80
	Interest paid on long term loans	9	(105)	(108)
	Net cash inflow from returns on investments and servicing of finance		35	34
23	Capital Expenditure and Financial Investments	<i>Notes</i>	Year Ended 31 July 2006 £000	Year Ended 31 July 2005 £000
	Payments to acquire tangible assets	11	(900)	(541)
	Payments to acquire endowment investments		(251)	(112)
	Endowments received		184	32
	Receipt from sale of endowment investments		304	142
	Net cash (outflow) from capital expenditure and financial investments		(663)	(479)
24	Financing		Year Ended 31 July 2006 £000	Year Ended 31 July 2005 £000
	Capital element of loan repayments		(48)	(56)
	Net cash outflow from financing		(48)	(56)
25	Analysis of Changes in Net Debt			
	<i>Notes</i>	As at 1 Aug 2005 £000	Cash Flow £000	Other Changes £000
	Endowment bank	12	563	68
	Cash in hand, and at bank		601	127
			1,164	195
	Due within one year	15	(48)	48
	Due after one year	15	(1,855)	-
	Total		(739)	243
				(496)

26 Related Party Transactions

The Board of Governors consider the relationships that the school has with GSA Enterprises Ltd. has the characteristics of related parties under the Financial Reporting Standard (FRS) 8.

GSA Enterprises Ltd.

In the year ended 31 July 2006 the School received income from GSA Enterprises of £75,000 (2004/05 £90,000) including Gift Aid contributions.

NOTES TO ACCOUNTS – continued

27 Pensions

All members of the staff are covered by two principal pension schemes, the Scottish Teachers Superannuation Scheme (STSS) for academic staff and the Strathclyde Pension Fund (SPF) for other staff. Each of these schemes is a defined benefits scheme. Under statute accounts for these schemes are prepared by the relevant bodies.

The total cost of both schemes was £846,000 (2004/05 - £792,000). The pension costs are assessed in accordance with advice of independent qualified actuaries using the projected unit method .

Strathclyde Pension Fund (SPF)

The school participates in the Strathclyde Pension Fund (SPF) scheme, which is a funded defined benefit pension scheme where contributions payable are held in a trust separately from the School. The main results and assumptions of the most recent valuation of the Local Government Pension Scheme are as follows:

Valuation Date	31 March 2002
Valuation Method	Projected unit method
Market value of assets	£5,570 million
Investment return per annum	7.4%
Salary scale increases per annum	3.9%
Pension increases per annum	2.4%

The school paid contributions of 14.6% of pensionable salaries for the accounting period as recommended by the actuary. Surpluses and deficits are spread over employees' future service lives, and the pensions charge recorded by the School was equal to the contributions payable.

The SPF is a multi employer scheme where the share of assets and liabilities applicable to each employer is not identified. The School accounts for its pension costs on a defined contribution basis as permitted by Financial Reporting Standard No.17.

Scottish Teachers' Superannuation Scheme (STSS)

The school participates in the STSS, which is an unfunded defined benefit scheme where contributions payable are credited to the Exchequer and a notional set of investments maintained. The pension cost is assessed every five years by the Government Actuary. The main results and assumptions of the most recent valuation of the STSS are as follows:

Valuation Date	31 March 2001
Valuation Method	Entry age method
Market value of assets	£10,769 million
Investment return per annum	7.0%
Salary scale increases per annum	5.0%

The contributions payable by the school during the accounting period were equal to 12.5% of total pensionable salaries.

The pensions charge recorded by the School during the accounting period was equal to the contributions payable.

The STSS is a multi-employer scheme where the share of assets and liabilities applicable to each employer is not identified. The School therefore accounts for its pension costs on a defined contribution basis as permitted by FRS17.

28 Post Balance Sheet Events

The Board considered that there were no material post balance sheet events requiring disclosure.

29 Capital Commitments

Committed and contracted as at 31 July 2006

31 July 2006	31 July 2005
£000	£000

-

-

30 Contingent Liabilities

There were no contingent liabilities at the balance sheet date

NOTES TO ACCOUNTS – continued

31 Bursary and Other Student Support Funds

	Mature Students Bursary	Hardship £000	2005 – 2006 Total £000	2004 - 2005 Total £000
Balance brought forward at 1 August 2005	-	15	15	17
Funds received in year	18	67	85	69
Transfer between funds	(14)	14	-	-
Expenditure	(4)	(69)	(73)	(71)
Balance carried forward at 31 July 2006	-	27	27	15

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

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