



**SPONSORS**

Arts and Business (Scotland)  
 Mr Colin Barr, Republic Bier Halle  
 Beith Printing  
 DLA Piper Rudnick Gray Cary Scotland LLP  
 Dog Digital Ltd  
 Glasgow School of Art Enterprises  
 Highland Spring Ltd  
 The James Wood Bequest Fund  
 Macfarlane Packaging  
 Mandors  
 Mary Andrew Charitable Trust  
 Standard Life Bank  
 Third Eye Design  
 Vladivar Foundation

**CREATIVE FUTURES FUND**

Mr Kenneth Adams  
 American Friends of Glasgow School of Art  
 Mr C Martin Bailey  
 Mrs Midge Bain  
 Mr & Mrs Ian & Sheena Ballantyne  
 Mrs Kirsty Bowie  
 Mr & Mrs Donald & Anthea Brown  
 Lady Nancy Brown  
 Mrs Lydia Burnet  
 Mrs Catriona Cattell-Jones  
 Mrs Margaret Crosbie  
 Ms Violet Denholm  
 Mr Ken Dickson  
 Ms Patricia Douglas  
 Ms Roberta Doyle  
 Mr John Forrest  
 Mr & Mrs James & Rina Grant  
 Ms Christine Hamilton  
 Mr & Mrs Allan & Margaret Hamilton  
 Mr & Mrs James & Phyllis Hamilton  
 Mrs Valerie Hamilton  
 Mrs Sheila Hannah  
 Ms Antoinette Harper  
 Ms Tamara Hedderwick  
 Mrs Carol Hewitt  
 Mr Ian Hill-Smith  
 Mr Stephen Hoey  
 Mr & Mrs Frank & Kathleen Kean  
 Mrs Eileen Kesson  
 Mr Nick Kuenssberg  
 Mr James Kyle  
 Mr Alisdair Macdonald  
 Mrs Elise Macrae  
 Mrs Sonja McKay  
 Mrs Valerie McLachlan  
 Mrs Joan Milroy  
 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  
 Mrs Gina Tringle  
 Mrs Pauline Tuffill  
 Mr Peter Warden  
 Mr Richard Weaver  
 Mr & Mrs Raymond & Brenda Williamson  
 The Alma & Leslie Wolfson Charitable Trust  
 The Tay Charitable Trust

**WEAVE PROJECT**

Cruden Foundation Ltd  
 The Clothworkers' Foundation and other Trusts  
 The Cotton Industry War Memorial Trust  
 The Ernest Cook Trust  
 The James Wood Bequest Fund  
 Mary Andrew Charitable Trust

**NEXT GENERATION FUND**

Mr Roger Ackling  
 Mr & Mrs Jeremy & Lena Armitage  
 Ms Karen Armstrong  
 David Bankier  
 Mr Ian Biggar & Ms Anne Errington  
 Mr & Mrs Graeme & Gillian Buchanan  
 Buchanan and Ewing Bequests  
 Mr & Mrs John & Judith Chapman  
 Mr & Mrs Ron & Lennox Cole  
 Mr & Mrs D & A Cunningham  
 Mr Michael Dawson  
 Mr Malcolm Day  
 Mr & Mrs Nigel & Patsy Dewar Gibb  
 Dog Digital Ltd  
 Mr & Mrs Paul & Christa Dowds  
 Mr & Mrs James & Dawn Durrant  
 Mr J C T Fairbank  
 Mrs Jean Flemming  
 Mrs Anthea Fortescue  
 Friends of Glasgow School of Art  
 Mr & Mrs Donald & Jan Forrester  
 Lady A V Gibson  
 Mr & Mrs John & Pat Graham  
 Mrs Nanette Hales  
 Mr & Mrs Brian & Kirsty Hill  
 Incorporation of Bonnetmakers & Dyers  
 Incorporation of Hammermen  
 Incorporation of Skinners  
 Incorporation of Tailors  
 Incorporation of Weavers  
 Mr & Mrs Brian & Linda Jamieson  
 Mr Terence Kealey  
 Keppie Design Ltd  
 Mr Nick Kuenssberg  
 Mr & Mrs Robin & Aline Lorimer  
 Ms Rosemary Lucas  
 Mr Alister MacCallum  
 Mr & Mrs Alex & Melanie Mackie  
 Ms Liz Mackinlay  
 Mr & Mrs Donald & Elsa McFarlane  
 Mr & Mrs Malcolm & Margaret McIver  
 Ms Elizabeth Midgley  
 Mrs Morag Millar  
 Miller's the City Art Shop  
 Miss Louise Mitchell  
 Mr & Mrs Robert & Mary Paris  
 Mr & Mrs Derek & Elizabeth Petrie  
 Dr Kay Redfield Jamison  
 Mr Philip Reeves  
 Mr Fred Shedden  
 Ms Jenny Slack  
 Mr & Mrs Douglas Sommerville  
 Dr Simon Street  
 Mr & Mrs P W & J M Stutley  
 Sylvia Aitken Charitable Trust  
 Mr & Mrs James & Lesley Taylor  
 Mr & Mrs Robert & Patricia Trolen  
 Mr & Mrs David & Anne Walker  
 Mr & Mrs Alexander & Foye Weatherhead  
 Mr & Mrs Douglas & Ann Weir  
 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

ANNUAL REPORT AND ACCOUNTS  
YEAR ENDED 31 JULY 2007

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**A COMPANY LIMITED BY GUARANTEE  
(Company Register No.SCO 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 Chairs	Professor Janice M Kirkpatrick MA (Des) BA (Des) FRSA D& AD 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	Alison Lefroy Brooks BA (Hons) ACA MCT
Business	Nick Kuenssberg OBE BA (Hons) FCIS CCMI FloD FRSA
Estates	Fred Shedden MA LLB
Human Resources	To be appointed
Museums & Archives	Professor Pamela Robertson FRSE
Nomination	Nick Kuenssberg OBE BA (Hons) FCIS CCMI FloD FRSA
Remuneration	Fred Shedden MA LLB

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

	Sharon Bamford (appointed 8 October 2007)*	
A	John A Batters LLB (Hons) NP*	
A	Alison Lefroy Brooks BA (Hons) ACA MCT (appointed 5 February 2007)*	
H	Katrina Brown MA (Hons) DipMus Gall Studs*	
	Prof. Sir Graeme Davies FREng FRSE*	
B,N,R	Roberta Doyle BA*	
E	Thomas A Elder FRIAS*	
	James M Faulds (resigned 16 April 2007)*	
	Charan Gill MBE (appointed 16 April 2007, resigned 10 December 2007)	
	Christine Hamilton MA (Hons)*	
	Afzal Khushi CBE (resigned 11 December 2006)*	
	Douglas Kinnaird CA (appointed 8 October 2007)*	
E	Prof. Janice M Kirkpatrick MA (Des) BA (Des) FRSA D&AD*	
B,E,N,R	Nick Kuenssberg OBE BA (Hons) FCIS CCMI FloD FRSA*	
E	Eleanor McAlister OBE MA MSc (appointed 11 December 2006)*	
B,N,R	John McCormick MA (resigned 10 December 2007)*	
	Ros Micklem BA (Hons) MPhil (resigned 8 October 2007)*	
E	Paul Mugnaioni BSc (Hons) Arch AA Dip MSc (Econ) *	
M	Prof. Pamela Robertson BA (Hons) FRSE FRSA* (appointed 11 December 2006)	
B,N,R	David J B Shearer B Acc CA FRSA *	
A,B,E,N,R	Fred Shedden MA LLB *	
	Amanda Dobbrazt (resigned 31 July 2007)	
B,E,H	Colin McKean BA (Hons) (appointed 1 August 2007)	President Students' Representative Council
A	Nicholas Oddy BA (Hons) PGDipDes MA(RCA)	Elected by the full-time Academic Staff
B,N	Paul Cosgrove BA(Hons) PGDip	Appointed by the Academic Council
A	Kathy Molloy	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

**M** – Member of Museums & Archive Committee

**R** – Member of Remuneration Committee

**B** – Member of Business Committee

**H** – Member of Human Resources Committee

**N** – Member of Nominations Committee

\* denotes Independent Board Members

## Chairman's Statement

### Summary

The year 2006/2007 has seen The Glasgow School of Art further develop its world-wide reputation in art, design and architecture. The solid financial performance meriting the "secure" classification from the Scottish Funding Council, the continued high level of student applications, the outstanding achievements of students, graduates and staff, the momentum building with our critical real estate plans and the all-important national and political understanding of the relevance and economic benefit of creative industries combine to underpin another very successful year.

### Finance

The accounts for the year ended 31 July 2007 show revenue of £17.4m (previous year £15.8m) impacted by growth in overseas students and particularly from the Chinese Academy of Fine Arts joint venture with expenditure of £17.4m (previous year £16.2m), largely driven by the new pay framework which has regraded staff. These movements combined to generate a surplus of £12k compared to the previous year's loss of £377k. The surplus based on the historical cost basis, as used for sectoral comparative purposes, is £412k (previous year £1k). The balance sheet has grown from £16.3m to £16.6m including cash balances up by £1.6m to £2.4m. It has been gratifying to see our scholarship funds increase by £150k allowing us to provide enhanced support for study, travel and asylum seeker students.

### Academic success

The list of GSA academic and professional successes is no less impressive than in previous years. Product Design Engineering students continue to win prizes with the accolade of a commendation in the Wall Street Journal's Technology Awards 2007 going to Scottish Institute of Enterprise and Dragons' Den prize-winners 2007 James Brown and Nicky Pang and Samantha Dunn won an Engineering Leadership award from the Royal Academy of Engineering. Leah Black was awarded the Young Designer Silversmith of the Year Award 2007, the sixth time in twelve years that this UK award from The Goldsmith's Company of London has been won by a GSA student; Jake Powley-Baker won the first prize in the Interior Design Magazine national student award, the third time in succession for GSA; Brian Macken won the Royal Institute of British Architects top undergraduate award, the Presidents Medal, and Johnny Pugh won the RIBA Architect for Health student design award. And the GSA degree show was listed by The Times as one of the best in the UK, a telling overall quality indicator.

Graduates excel also. Lightweight Medical's neo range won a coveted international iF Design Award in 2007; five out of the six artists who represented Scotland at the Venice Biennale in 2007, Henry Coombes, Louise Hopkins, Rosalind Nashashibi, Lucy Skaer and Tony Swain, were GSA graduates and Nathaniel Coley was yet another GSA nominee for the Turner Prize in 2007.

The Scottish Show 2007, the national exhibition of the Six Cities Design Festival, featured the works of 30 designers - of whom 20 were GSA graduates. Gareth Hoskins won the British Construction Industry Regeneration Award 2007 and was short-listed for several other national awards and Ian Callum, director of design for Jaguar, was appointed a "Royal Designer for Industry" by the RSA. The various world-leading interaction and visualisation technologies of the Digital Design Studio were recognised with contracts from the City of Glasgow, John Brown's Shipyard (urban visualisation) and the Royal College of Surgeons of Edinburgh (medical visualisation).

We were delighted that as part of the graduation ceremony addressed by Muriel Gray, the GSA conferred its first honorary doctorate on Harry Benson, erstwhile student and now one of the world's finest photo journalists.

### Student applications

The School's international undergraduate applications increased by 6% against a 4% UK-wide decline, reflecting the attractiveness of the GSA to international students. The drop-out rate at 2.9% is the lowest in Scotland and one of the lowest in the UK. These statistics underline the health of the GSA undergraduate offering.

### Research Assessment Exercise

The RAE submission just completed has demonstrated a higher volume of research activity operating at higher quality levels since the last RAE in 2001 with 26,000 pieces of data collected and over 1,500 individual research outputs considered and a doubling of research income during the period. There has also been a substantial increase in the research infrastructure and major developments in research degrees including supervisory capacity and a new MRes in Creative Practices programme.

### Post-graduate & international students

There are two strands of future academic ambition for strategic growth. The first is to grow post-graduate activity where additional programmes have increased numbers by 10% overall, based on a 7% increase in international applicants and 14% in applications from Home and EU students. The second is the development of international participation, both inwards and outwards; the third year of the Chinese Academy of Fine Art joint course and planned developments with three leading Indian establishments are illustrative of these moves which are consistent with government policy.

## **Real estate plans**

The major tasks for the GSA are the three specific projects within the overall real estate strategy, necessary to provide a competitive suite of facilities appropriate to the 21<sup>st</sup> century.

- It is gratifying to report that the £8.4m Mackintosh Conservation and Access Project to 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 started in July and are expected to be completed in late 2010. The project has raised some £7.6m of the £8.4m necessary and is thus almost fully funded.
- The Digital Design Studio is finally set to relocate into a custom-designed building in the Digital Media Campus on Pacific Quay in summer 2009, vital to support the growth in research and postgraduate programmes and to provide the platform for commercial vehicle spin-outs.
- The major programme and overwhelming priority is the wholesale redevelopment of the Garnethill Campus, a landmark vision to provide competitive facilities for staff and students appropriate to the 21<sup>st</sup> century. The full business case was presented to the Scottish Funding Council in March 2006 and a revised version submitted in June 2007. The studio-centred vision, underpinned by a forward looking model for academic, financial and environmental sustainability, is of a scope that the Scottish Funding Council, although acknowledging the absolute need for redevelopment, finds difficult to endorse or support. It is to be hoped that progress on this front proves possible in early 2008, the more so that the City-owned McLellan Galleries are already occupied by the School on a short-term lease as a solution to current expansion needs.

## **Creative industries**

Members of the board and staff contribute to policy development in higher education, the creative industries agenda and the New Economic Strategy for Glasgow. As well as contributing to the Research Assessment Exercise completed in November, a large number (over 80% are research active) of GSA staff are engaged in a wide range of research and knowledge transfer projects and collaboration with other organisations that promote the role and the profile of the School in the life of the city. The Director was appointed to the Scottish Broadcasting Commission and many other staff members are involved in national and Glasgow working parties and boards.

We firmly believe that creative industries should be a key economic cluster, both for their inherent cultural value and because of the economic returns to the country. It is heartening that the importance and role of the creative industries is clearly recognised in the recent Scottish Government economic strategy and that there is growing support for the proposed Centre of Innovation, Creativity and Design at the GSA, building on the Cox Review of Creativity in Business.

## **Funding**

The board acknowledges with grateful thanks various key partners in our strategic development including the Scottish Funding Council, the City of Glasgow who endorse our real estate proposals, Scottish Enterprise who support the redevelopment of the Digital Design Studio, Scottish Enterprise Glasgow who endorse the creative industries agenda and the wide range of donors, trusts and individuals who have contributed to our various appeals, bursaries and scholarships. Although the campaign for the Mackintosh Conservation and Access Project is well underway, we have delayed the launch of our major development capital campaign for the funding of the Garnethill Campus until clarity with the Scottish Funding Council is achieved.

The latest comprehensive spending review is extremely disappointing with a settlement well below expectations. The apparent understanding of the economic contribution of higher education and the commitment to support it have been seriously undermined at a time when the acknowledged challenges of top-up fees in England, international competition, a funding system based on formulaic allocation rather than outputs and success and increasing bureaucratic demands combine to make the task of the board significantly more difficult and the lives of our students and staff more challenging..

## **Board of governors**

The GSA needs and is fortunate to have a well balanced and engaged board of governors and I wish to record a sincere vote of thanks to all for their substantive contributions at this important period in GSA's history. We have unfortunately seen the retirement of Jim Faulds, Charan Gill, John McCormick and Ros Mickle as a consequence of professional pressures and I would acknowledge our debt of gratitude to them. We are pleased to have recruited Professor Pamela Robertson, Eleanor McAllister, Alison Lefroy Brooks, Sharon Bamford and Douglas Kinnaird as governors in their place and I am delighted that Professor Janice Kirkpatrick has agreed to serve as a second Vice Chair. Ex officio changes have included Colin McKean who sits in his capacity as President of the Students Representative Council, replacing his predecessor Amanda Dobbratz who gave two years of excellent service.

## **Staff**

As always the GSA could not perform without an exceptional team of academic, technical and support staff, led with great determination and drive by the Director Professor Seona Reid. On behalf of all stakeholders and the board, I wish to thank them for both their past service and their commitment to the future.

Nick Kuenssberg  
Chairman  
10 December 2007

## Governors' Statement

### Results for the year ended 31 July 2007

#### 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 £412k (£1k 2005/06) on a historical cost basis and a surplus of £12k (deficit £391k 2005/06) on a revaluation basis, for the year ended 31 July 2007 as commented in the Chairman's statement.

#### Balance Sheet

The total net assets of the School increased by £375k to £18,855k and the cumulative Income and Expenditure Account reserve increased from £964k as at 31 July 2006 to £1,354k as at 31 July 2007 with cash balances at the year-end increasing by £1,684k from £728k to £2,412k.

#### 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.

#### Performance Indicators

The Board is presented with Performance Indicators twice a year covering areas such as total income (fees, research grants, contracts), total expenditure (overhead costs, property costs), cash balances, staff related matters (turnover, gender balance, age profile, qualifications), student related matters, staff student ratios, ethnicity and disability.

#### Endowment Assets

The return on Endowment asset Investments comprising dividend and bank interest, was 2.24%, compared with 3.15% last year as a consequence of a change in investment managers and the restructuring of the investment portfolio. The market value of the total Endowment assets held by the School rose from £2,310k to £2,532k an increase of £222k.

#### Capital Projects

Capital Expenditure in the year was £634k, down on the previous year's figure of £900k which included a large investment in a new students records system.

#### Cash Flow

The Cash Flow Statement shows a net inflow of £2,489k in the financial year (2005/06 inflow £195k) .

#### 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 2007 the School had an average of 8 days purchases outstanding in trade creditors. With regard 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.



## Governors' Statement – continued

### Liquidity Risk

Operations are financed by SFC, grants, 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

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

### Risk Register

The board reviews the risk register in a joint workshop with senior staff and this is monitored by the audit committee.

## 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 state of the economy 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 and updated in June 2007. 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 board has endorsed the real estate strategy as required by the Scottish Funding Council.

### 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.

## 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 full time Health and Safety 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.

## 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. Support staff elect one Governor to the Board. The Students' Representative Council plays a full role in the life of the School and the President is a full member of the Board of Governors. Lay Governors are not remunerated.

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

Nick Kuenssberg  
Chairman

10 December 2007

## 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 the revised Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003. The Board of Governors is satisfied that the School has complied throughout the period with the provisions of the Code so far as they apply to the Higher Education Sector. 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 process for reviewing the effectiveness of the system of internal control is through management reports to the various committees and in particular, the Audit Committee.

The Board, through its Audit Committee, reviews and monitors its Risk Management Policy, the Risk Register and its Business Continuity Plan and complies with the control guidance published by the Turnbull Committee for identifying, evaluating and managing risks.

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 and up to the date of approval of the annual report and accounts. This process will be 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 and independent (see page 2). Lay Governors are not remunerated. The Clerk 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 and have access to the Secretary to the School, who is responsible for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Secretary are matters for the Board as a whole.

The roles of Chairman and Vice-Chairs 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, Business, Audit, Human Resources, Estates, Museums and Archives, 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. Members of each of the Committees are identified on pages 1 and 2.

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 buildings of the School.

The School has an internal audit service which operates in accordance with the requirements of the SFC's Audit Code of Practice. 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. At minimum annually, the Internal Auditors provide the governing body with a report on internal audit activity in the School. The report includes their independent opinion on the adequacy and effectiveness of the School's system of risk management, controls and governance processes.

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.

## Corporate Governance Statement – continued

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 Committee met on four occasions during the year.

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 School is responsible for ensuring that appropriate training is provided as required. The Committee met on five occasions during the year.

The Estates Committee is responsible for overseeing the development and implementation of the School's Estate Strategy and met six times during the year.

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

The Remuneration Committee determines the remuneration of the most senior staff, including the Director. Details of remuneration for the year ended 31 July 2007 are set out in note 7. The Committee met once during the year.

The Nominations Committee seeks out and recommends new independent lay governors for appointment to the Board. Members are appointed for a term of office not exceeding three years, at the conclusion of which they may seek re-election for a further two terms.

### Guide to Governing Bodies

The Board confirms that the School complies with the recommendations contained within the Guide for Members of Higher Education Governing Bodies in the UK issued by the Committee of University Chairmen in 2004.

The Board is responsible for the quality of learning, teaching and research through the Academic Council; further procedures for the evolution of these responsibilities are under review.

### Senior Management

This comprises the Director, 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" and has the responsibility for reviewing the effectiveness of the system of internal control. The Director chairs the Directorate, the Executive Group and the 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 Learning & Teaching and Research Committees and deputises for the Director in her absence.

The Director of Finance & Resources is responsible for financial, estates, IT and personnel matters in support of the School's academic purposes, acts as Secretary to the Board and Company and also has responsibility for reviewing the effectiveness of the system of internal control.

### 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.

Nick Kuenssberg  
Chairman

10 December 2007

## 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 plc, eTourism Ltd, Canmore Partnership Ltd, deputy chairman of the Scottish Environment Protection Agency, director of the Quality Assurance Agency for Higher Education (chairman of QAA Scotland) and an honorary research fellow at the University of Glasgow. He was previously a visiting professor at Strathclyde University and chairman of the Institute of Directors (Scotland), ScotlandIS and Scotland the Brand.

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

**Vice Chair**

Janice graduated from Glasgow School of Art winning the Newberry Medal in 1984 and continues her relationship with the School as Visiting Professor and Governor. She has been an external examiner at institutions throughout the UK. In 1986 she co-founded Graven Images design consultancy where she is a graphic designer and director. Janice is also a curator, writer and broadcaster and has lectured worldwide on design and creativity. She was Conran Foundation Collector in 1996 and has been a Trustee of the National Endowment for Science, Technology and the Arts where she was Chairman of the Invention & Innovation seed fund. She is currently an advisor to the British Council's Creative Industries Unit and Chairman of The Lighthouse, Scotland's Centre for Architecture, Design and the City.

**Fred Shedden MA, LLB**

**Vice Chair**

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 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.

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

**Director**

Appointed in September 1999, Seona was previously Director of the Scottish Arts Council for 9 years, and before that Assistant Director (Strategy and Regional Development) of Greater London Arts, Director of Shape, Head of press and publicity, Ballet Rambert and Northern Dance Theatre, business manager, Lincoln Theatre Royal and a freelance arts consultant working with the Arts Council of Great Britain and the London Contemporary Dance Trust.

She is currently chair of the Glasgow Caledonian University Arts Policy Group; vice chair of the Lighthouse Centre member of the Scottish advisory committee of the British Council, the Knowledge and Evaluation Committee of the Arts and Humanities Research Board and on the boards of Cove Park artists retreat. Seona was awarded honorary degrees of Doctor of Arts from Robert Gordon University, Aberdeen in 1995; Doctor of Letters from the University of Glasgow in 2001, and Doctor of Letters from Glasgow Caledonian University in 2005, all for services to the Arts in Scotland. She became an honorary professor of the University of Glasgow in 1999.

**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 Mackintosh Research Centre for Archives and Collections.

**Sharon Bamford**

Sharon is the founding CEO of the UK-India Business Council, UK's lead business organisation supporting the UK government in the promotion and facilitation of bilateral trade between the two countries. Previously she was the Chief Executive of the Scottish Institute for Enterprise, Director the Edinburgh Technopole at University of Edinburgh and lectured in the Centre for Entrepreneurship at Robert Gordon University.

Earlier roles included, Managing Director, Panmure Consulting Ltd, Director of the charity Challenges Worldwide; Head of Grampian Technology Development Unit, Director of International Marketing for Drilling Systems (Rigsim) Ltd and Principal of Gateside Schools Sharon's Gap experience in 1982 included a military coup in Ougadougou; driving across the Sahara Desert; working on the Great barrier Reef and climbing volcanoes in Central Java.

## Governors' Biographies continued

### **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.

### **Alison Lefroy Brooks BA (Hons) ACA MCT**

Alison is a chartered accountant and worked for KPMG in London before specialising in treasury. She worked for the BOC Group plc and was Assistant Treasurer at the TPG Group NV based in the Netherlands prior to moving to Scotland to take up her current role as Group Treasurer for Aggreko plc. Aggreko is the global leader in the rental of power, temperature control and oil-free compressed air systems to customers around the world. She is also a committee member of the Scottish discussion group for the Association of Corporate Treasurers.

### **Katrina Brown MA (Hons), Dip Mus & Gall Stud**

Director of The Common Guild, a new visual arts organisation based in Glasgow, Katrina was previously Curator/Deputy Director at Dundee Contemporary Arts (1997 - 2007). Her earlier posts included Exhibitions Curator at the Tate Liverpool and Exhibitions Organiser at Tramway, Glasgow. A former Committee member of Transmission Gallery, Glasgow, Katrina has written extensive papers, articles and reviews on contemporary visual art, including a monograph on Douglas Gordon, and is an advisor to the Arts Council Collection (England) and the FRAC des Pays de la Loire (Nantes, France). In 2007 she curated the 'Jardins Publics' exhibition for Edinburgh International Festival. Katrina gained an MA (Hons) in French Language & Literature at the University of Glasgow and a Post-graduate Diploma in Museum and Gallery Studies at the University of St Andrews.

### **Paul Cosgrove BA (Hons) PGDip**

Paul began teaching at GSA in 1994. He is currently Acting Head of Sculpture and Environmental Art, shares co-ordination of the New Media Course as part of the Masters in Art, Design and Architecture in Education and 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 and received *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, FEng, 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 Higher Education Policy Unit and a member of the Board of Universities UK.

### **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 the National Theatre of Scotland, having previously held the same post 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.

### **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.

## Governors' Biographies continued

### **Dr Charan Gill MBE**

In January 1998 Charan Singh Gill was awarded the MBE for his services to the food industry. Son of a first generation immigrant from India, Charan became an apprentice at Yarrow Shipbuilders on the Clyde after leaving school but had the ambition own his own business. His first break came by way of a share in the Ashoka West End restaurant, the first in a long and successful chain of Indian Restaurants and bars owned by him - now known as Harlequin Leisure Group Ltd. He diversified his business interests and set up Harlequin Properties (Scotland) Ltd, now with 115 properties. In 2005 he sold Harlequin Leisure Group while retaining the freehold properties, his current principal business. In 2006 he opened Scotland House in Delhi to help Scottish companies trade with India. Charan has been a Non-Executive Director of Scottish Enterprise, Glasgow, since October 1999 and Vice Chairman of the Entrepreneurial Exchange since May 2003 and was Chairman of the Glasgow Restaurateurs Association from April 2004-2005.

### **Christine Hamilton MA (Hons)**

Christine is Director of the Institute for Creative Enterprise, Coventry University having previously been 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 with 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.

### **Douglas Kinnaird CA**

Douglas is a business graduate from Strathclyde University and a Chartered Accountant. He runs MacDonald Kinnaird which has the reputation of recruiting for most of the major roles in Scotland's public and private sectors with candidates attracted from all over the world. 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. Sympathetic restoration and the acquisition of several paintings by Howson, Bellany and other graduates of GSA has revitalised this building. He occasionally returns to Strathclyde to lecture in Marketing, he was on Cancer Research UK's Scottish Council, a Director of Scotland the Brand, a governor of Hutchesons School and is founder and Deputy Chairman of Scotland International which brings together the greatest Scottish business leaders from around the world to share their expertise with Chief Executives of growing Scottish companies.

### **Eleanor McAlister OBE MA MSc**

Eleanor is an economist and town planner and has used both areas of expertise in a number of urban regeneration projects throughout her career. She is currently Managing Director of Clydebank Rebuilt, which was designated as one of the Scottish Government's 'Pathfinder' urban regeneration companies in 2004. She is responsible for the master planning and partial development of 450 acres of derelict industrial land on the Clydebank riverside and for the improvement of the existing commercial areas in the town centre. Eleanor was awarded the OBE for Services to Architecture in 2007 and is currently on a number of professional bodies; Executive Director of Clydebank Property Company, Director of Architecture & Design Scotland, Board Member of Strathclyde European Partnership Limited and Lay Member of the validation panel for the Royal Incorporation of British Architects.

### **John McCormick MA MEd**

John McCormick graduated MA with Honours in History and Economic History from Glasgow University in 1967 and taught in a Glasgow comprehensive school while completing an M Ed degree. He joined the BBC Education Department in 1970 and BBC Scotland's management team as Secretary and Head of Corporate Affairs in 1982. In 1987 he 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 Opera and is a Governor of the RSAMD. John has received Honorary Degrees from The Robert Gordon University (1997); University of Strathclyde (1999); University of Glasgow (1999); and University of Paisley (2003) and is also a Fellow of the Royal Television Society and a Fellow of the Royal Society of Edinburgh.

### **Colin McKean BA (Hons)**

Colin graduated with a BA (Hons) in Painting and Printmaking from Glasgow School of Art in 2007. He was elected as president of the Students' Association during his final year of study. He has exhibited in Edinburgh and Glasgow and was awarded the Adam Bruce Thomson award at the 2007 Royal Scottish Academy Student Exhibition. Colin's degree show work featured in Iain Gale's article *Better by Degrees*, published in the Scotland on Sunday, June 2007.

## Governors' Biographies continued

### **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 Executive Chairman of Quality Street. He founded the company in 1987 after five years as Director of Housing for the City of Glasgow to develop, own and manage 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 focused more narrowly on residential investment, creating a series of innovative developments throughout Scotland including Glasgow's award-winning *Galleria* and *Aspire*. Paul is a graduate of Strathclyde University, the Architectural Association School of Architecture, and University College London. He has taught at the AA Graduate School and worked in the architects and housing departments of the GLC.

### **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 Tees-side and Duncan of Jordanstone 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 19<sup>th</sup> and 20<sup>th</sup> 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.

### **Professor Pamela Robertson BA Hons FRSE FRSA**

Pamela was appointed to her present role as Senior Curator, Hunterian Art Gallery, University of Glasgow in 1998 and is responsible for the Mackintosh and Whistler Collections and was previously responsible for the Hunterian's Scottish Collections. In 2000 Pamela was awarded a Readership and in 2003 was appointed Professor of Mackintosh Studies. Between 1992 and 1997 she was guest co-curator for Glasgow Museums' exhibition 'Charles Rennie Mackintosh'. She has curated exhibitions, delivered lectures worldwide and published widely on Mackintosh and his circle. She has served on a large number of committees, including the Charles Rennie Mackintosh Society Council and the Historic Buildings Council, and is currently a member of the Reviewing Committee for the Export of Works of Art and the National Trust for Scotland's Interiors and Collections Advisory Panel.

### **David J B Shearer B Acc CA FRSA**

David is an experienced corporate financier and was previously Senior Partner of Deloitte & Touche for Scotland & Northern Ireland and a UK Executive Board member of Deloitte & Touche. He is chairman of Crest Nicholson Group Limited, Senior Independent Director of Renold plc, SMG plc and Superglass Holdings plc and a Non Executive Director of Aberdeen New Dawn Investment Trust plc, Mithras Investment Trust plc and Scottish Financial Enterprise. He is also an Advisory Board member of Martin Currie Limited and was previously a Non Executive Director of HBOS plc. David is a member of The Institute of Chartered Accountants of Scotland.

## 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

10 December 2007



## 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 2007 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 2007 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 Governors' Statement is consistent with the financial statements for the year ended 31 July 2007

Grant Thornton UK LLP  
Chartered Accountants  
Registered Auditors  
95 Bothwell Street  
GLASGOW G2 7JZ

10 December 2007

THE GLASGOW SCHOOL OF ART  
INCOME AND EXPENDITURE ACCOUNT  
For the year ended 31 July 2007

	<i>Notes</i>	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
<b>INCOME</b>			
Funding Council Grants	1	10,327	9,897
Tuition fees and education contracts	2	4,143	3,694
Research grants and contracts	3	976	609
Other income	4	1,788	1,459
Endowment and Investment income	5	203	140
		<hr/>	<hr/>
<b>Total income</b>		<b>17,437</b>	<b>15,799</b>
<b>EXPENDITURE</b>			
Staff pay costs	6	11,124	9,906
Pension revaluation	16	-	384
Depreciation	11	1,085	939
Other operating expenses	8	5,092	4,842
Interest payable	9	102	105
		<hr/>	<hr/>
<b>Total expenditure</b>		<b>17,403</b>	<b>16,176</b>
Surplus/(deficit) on continuing operations after depreciation of assets at valuation		34	(377)
Taxation		-	-
<b>Surplus/(deficit) on continuing operations after depreciation of assets at valuation and taxation</b>		<b>34</b>	<b>(377)</b>
Accumulated income retained within specific endowments	18	(22)	(14)
<b>Surplus / (deficit) for the year retained within general reserves</b>		<b>12</b>	<b>(391)</b>

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

STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS  
For the year ended 31 July 2007

	<i>Notes</i>	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation		34	(377)
Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the re-valued amount	20	378	378
		<hr/>	<hr/>
<b>Historical cost surplus before and after taxation</b>		<b>412</b>	<b>1</b>

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 2007

	<i>Notes</i>	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation and taxation		34	(377)
Appreciation of endowment asset investments	18	200	42
New endowments	18	-	816
<b>Total recognised gains relating to the period</b>		<b>234</b>	<b>481</b>
 <b>Reconciliation</b>			
Opening reserves and endowments		16,331	15,850
Total recognised gains for the year		234	481
<b>Closing reserves and endowments</b>		<b>16,565</b>	<b>16,331</b>

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

THE GLASGOW SCHOOL OF ART

BALANCE SHEET  
As at 31 July 2007

	<i>Notes</i>	2007 £000	2006 £000
<b>Fixed Assets</b>			
Tangible assets	11	19,212	19,663
<b>Endowment Assets</b>	12	2,532	2,310
<b>Current Assets</b>			
Stocks		76	75
Debtors	13	1,320	1,439
Cash at bank and in hand		2,412	728
		<u>3,808</u>	<u>2,242</u>
Creditors: amounts falling due within one year	14	<u>(3,685)</u>	<u>(2,558)</u>
<b>Net current assets/(liabilities)</b>		<u>123</u>	<u>(316)</u>
<b>Total assets less current liabilities</b>		21,867	21,657
Creditors: amounts falling due after more than one year	15	(1,754)	(1,805)
Provisions for liabilities and charges	16	(1,258)	(1,372)
<b>NET ASSETS</b>		<u><u>18,855</u></u>	<u><u>18,480</u></u>
<b>Deferred capital grants</b>	17	2,290	2,149
<b>Endowments</b>			
Specific	18	2,228	2,017
General	18	304	293
		<u>2,532</u>	<u>2,310</u>
<b>Reserves</b>			
Revaluation reserve	19	12,679	13,057
Income and expenditure account	20	1,354	964
<b>Total reserves</b>		<u>14,033</u>	<u>14,021</u>
<b>TOTAL</b>		<u><u>18,855</u></u>	<u><u>18,480</u></u>

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

The financial statements on pages 15 to 31 were approved on 10 December 2007 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 2007

	<i>Notes</i>	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
Cash flow from operating activities	21	2,000	871
Returns on investments and servicing of finance	22	101	35
Capital expenditure and financial investment	23	436	(663)
Financing	24	(48)	(48)
		<hr/>	<hr/>
<b>Increase in cash in the year</b>		<b><u>2,489</u></b>	<b><u>195</u></b>
 <b>Reconciliation of net cash flow to movement in net funds/(debt)</b>			
Increase in cash in the period		2,489	195
Movement in capital debt		48	48
		<hr/>	<hr/>
Change in net debt		2,537	243
Net debt at 1 August		(496)	(739)
		<hr/>	<hr/>
Net funds/(debt) at 31 July	25	<b><u>2,041</u></b>	<b><u>(496)</u></b>

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

Recurrent grants from the SFC represents the funding allocations attributable to the current financial year and are credited direct to the income and expenditure account. Recurrent grants are recognised in line with planned activity. Any under-achievement against this planned activity is adjusted in-year and reflected in the level of recurrent grant recognised in the income and expenditure account.

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

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

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors.

All income from short term deposits is credited to the 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.

### 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.

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

### 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.

## Statement of Principal Accounting Policies continued

**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	<i>Notes</i>	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
SFC recurrent teaching grant		7,232	6,951
Funding for increased STSS contributions		122	173
SFC research grant		1,557	1,446
SRIF grant		46	309
Small specialist institution grant		446	435
Other SFC grants		781	486
Deferred capital grant released in year			
Buildings	17	97	97
Equipment	17	46	-
		<u>10,327</u>	<u>9,897</u>
2 Tuition Fees and Education Contracts		Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
UK higher education students		2,061	1,898
European Union (EU) (excluding UK) students		135	108
Non EU students		1,680	1,397
Other contracts		267	291
		<u>4,143</u>	<u>3,694</u>
3 Research Grants and Contracts		Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
Research councils		181	152
European Commission		50	130
UK governmental contracts		28	49
Other grants and contracts		96	132
UK industrial and commercial contracts		621	146
		<u>976</u>	<u>609</u>
4 Other Income	<i>Notes</i>	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
Residences		594	511
Release from deferred grants ( Non SFC)	17	3	3
Other income generating activities		228	260
Other income		963	685
		<u>1,788</u>	<u>1,459</u>
5 Endowment and Investment Income		Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
Income from specific endowments	18	62	51
Income from general endowments	18	9	11
Bank interest		132	78
		<u>203</u>	<u>140</u>



NOTES TO ACCOUNTS - continued

6 Staff Costs

Year Ended  
31 July 2007

Year Ended  
31 July 2006

The average monthly number of persons (including senior postholders) employed by the School during the period, expressed as full-time equivalents, was:

	Number	Number
Teaching departments	130	128
Teaching support services	68	68
Other support services	35	30
Administration and central services	32	32
Premises	48	48
Residences	1	1
<b>Total</b>	<b>314</b>	<b>307</b>

Analysed as

Staff on permanent contracts	275	271
Staff on temporary and other contracts	39	36
<b>Total</b>	<b>314</b>	<b>307</b>

Staff costs for the above persons:

Year Ended  
31 July 2007  
£000

Year Ended  
31 July 2006  
£000

Wages & salaries	9,464	8,415
Social security costs	697	645
Pensions	963	846
<b>Total</b>	<b>11,124</b>	<b>9,906</b>

Analysed as

Staff on permanent contracts	10,312	9,156
Staff on temporary and other contracts	813	750
<b>Total</b>	<b>11,124</b>	<b>9,906</b>

Staff costs by activity

Year Ended  
31 July 2007  
£000

Year Ended  
31 July 2006  
£000

Teaching departments	6,007	5,410
Teaching support services	1,649	1,506
Other support services	1,028	832
Administration and central services	1,365	1,242
Premises	1,035	881
Residences	40	35
<b>Total</b>	<b>11,124</b>	<b>9,906</b>

The number of staff, excluding governors, who received emoluments, including pension contributions, in the following ranges was:

£70,001 - £80,000	3	2
£80,001 - £90,000	2	-
	<b>5</b>	<b>2</b>

NOTES TO ACCOUNTS - continued

7 Governors' Emoluments

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

		Year Ended 31 July 2007 Number	Year Ended 31 July 2006 Number
NIL		19	19
£1 - £5,000		-	1
£30,001 - £35,000		-	1
£35,001 - £40,000		1	1
£40,001 - £45,000		1	1
£45,001 - £50,000		1	1
£70,001 - £75,000		-	1
£85,001 - £90,000		1	-
£100,001 - £105,000		-	1
£115,001 - £120,000		1	-
		<u>24</u>	<u>26</u>

The Governors' emoluments are made up as follows:

	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
Salaries	289	265
Pension contributions	<u>38</u>	<u>32</u>
Total emoluments	<u>327</u>	<u>297</u>

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

	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
Highest paid Director		
The Director of the School	101	88
Pension contributions	<u>15</u>	<u>13</u>
<b>Total</b>	<u>116</u>	<u>101</u>

The pension contributions in respect of the Director of the School and senior post holders are in respect of employers 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 2007 £000	Year Ended 31 July 2006 £000
Teaching departments	1,620	1,739
Contracted-out lecturing services	14	22
Teaching support services	289	283
Other support services	415	437
Administration and central services	789	708
General education	38	46
Premises costs	1,020	728
Planned maintenance	316	413
Other income generating activities	82	67
Catering and residence operations	401	334
Other expenses	108	65
	<hr/>	<hr/>
	<u>5,092</u>	<u>4,842</u>

Other Operating expenses include:	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
Auditors' remuneration		
external audit	16	12
external audit other services	4	2
internal audit	11	11
	<hr/>	<hr/>

9 Interest Payable	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
Mortgages and loans not repayable within five years	102	105
	<hr/>	<hr/>
	<u>102</u>	<u>105</u>

10 Taxation

The Board do not believe the School was liable for any Corporation Tax arising out of its activities during this period (2005/06 Nil)

NOTES TO ACCOUNTS - continued

11 Tangible Fixed Assets

	Freehold Land and Buildings £000	Equipment £000	Total £000
<b>Valuation / Cost</b>			
At 1 August 2006	28,761	3,280	32,041
Additions at Cost	177	457	634
At 31 July 2007	<u>28,938</u>	<u>3,737</u>	<u>32,675</u>
At valuation 1995	17,933	-	17,933
At cost	<u>10,828</u>	<u>3,280</u>	<u>14,108</u>
	<u>28,761</u>	<u>3,280</u>	<u>32,041</u>
<b>Depreciation</b>			
At 1 August 2006	10,582	1,796	12,378
Charge for Year	673	412	1,085
At 31 July 2007	<u>11,255</u>	<u>2,208</u>	<u>13,463</u>
<b>Net Book Value</b>			
At 31 July 2007	<u>17,683</u>	<u>1,529</u>	<u>19,212</u>
At 1 August 2006	<u>18,179</u>	<u>1,484</u>	<u>19,663</u>

The School's policy is that assets are retained at either their 1995 valuation or their historic cost 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 £13,733,604 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

	2007 £000
Cost	10,712
Aggregate depreciation based on cost	<u>5,705</u>
Net book value based on cost	<u>5,007</u>

NOTES TO ACCOUNTS - continued

12 Endowment Assets	31 July 2007 £000	31 July 2006 £000
Balances as at 1 August 2006	2,310	1,438
Additions (note 23)	562	251
Disposals (note 23)	(529)	(304)
(Decrease) / increase in cash balances held at fund managers	(11)	67
Bequest due in respect of Mr C Fyfe	-	816
Appreciation of endowment asset investments	200	42
	<u>2,532</u>	<u>2,310</u>
Balances as at 31 July 2007	<u>2,532</u>	<u>2,310</u>
Represented by:		
Fixed Interest Stocks (listed)	251	359
Equities (listed)	845	504
Bequest funds received post year end	-	816
Bank balances (note 25)	1,436	631
	<u>2,532</u>	<u>2,310</u>
Total	<u>2,532</u>	<u>2,310</u>
13 Debtors	31 July 2007 £000	31 July 2006 £000
Trade debtors	397	260
European funding	-	102
Debts due from students	38	43
Prepayments and accrued income	885	1,034
	<u>1,320</u>	<u>1,439</u>
Included in prepayments and accrued income above is £442k 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 2007 £000	31 July 2006 £000
Trade creditors	118	156
Social security and other taxes payable	255	231
Other creditors	72	115
Loans (secured) (note 15)	52	50
Payments in advance	136	126
Accruals	3,052	1,880
	<u>3,685</u>	<u>2,558</u>

NOTES TO ACCOUNTS - continued

15 Creditors: Amounts Falling Due After One Year	31 July 2007 £000	31 July 2006 £000
Combined loan (secured)	1,806	1,855
	<u>1,806</u>	<u>1,855</u>
Less: amount falling due within one year (note 14)	52	50
	<u>1,754</u>	<u>1,805</u>
Instalments on the loans above are payable as follows		
Between one and two years	56	53
Between two and five years	189	178
After five years	1,509	1,574
	<u>1,754</u>	<u>1,805</u>
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 MacDonald House Residence		

16 Provision for Liabilities and Charges	Provision for past service pensions £000	Total £000
Balances as at 1 August 2006	1,372	1,372
Expenditure in year	(114)	(114)
Provision for increase in actuarial valuation of enhanced early retiral costs	-	-
At 31 July 2007	<u>1,258</u>	<u>1,258</u>

The provision for past service pensions relates to unfunded enhanced early retrials given in prior years. The provision was calculated by a firm of actuaries in 2006 and reviewed in 2007.

17 Deferred Capital Grants	Funding Council £000	Other Grants and Benefactions £000	Total £000
At 1 August 2006			
Buildings	1,856	109	1,965
Equipment	184	-	184
	<u>2,040</u>	<u>109</u>	<u>2,149</u>
Capital grants received in year			
Buildings	-	2	2
Equipment	285	-	285
	<u>285</u>	<u>2</u>	<u>287</u>
Released to Income and Expenditure			
Buildings	(97)	(3)	(100)
Equipment	(46)	-	(46)
	<u>(143)</u>	<u>(3)</u>	<u>(146)</u>
At 31 July 2007			
Buildings	1,759	108	1,867
Equipment	423	-	423
	<u>2,182</u>	<u>108</u>	<u>2,290</u>

NOTES TO ACCOUNTS - continued

18 Endowments

	Specific £000	General £000	Total £000
At 1 August 2006	2,017	293	2,310
Income for year	62	9	71
Expenditure for year	(39)	(10)	(49)
Accumulated income retained	23	(1)	22
Additions	-	-	-
Appreciation of endowment asset investments	188	12	200
<b>At 31 July 2007</b>	<b>2,228</b>	<b>304</b>	<b>2,532</b>
<b>Representing</b>			
Prizes funds	2,228	-	2,228
Other funds	-	304	304
	<b>2,228</b>	<b>304</b>	<b>2,532</b>

19 Revaluation Reserve

	31 July 2007 £000	31 July 2006 £000
Balances as at 1 August 2006	13,057	13,435
Released in year to Income & Expenditure Account	(378)	(378)
<b>At 31 July 2007</b>	<b>12,679</b>	<b>13,057</b>

20 Income and Expenditure Account

	General Funds £000	Departmental Balances £000	Total £000
Balances as at 1 August 2006	950	14	964
Surplus after depreciation at valuation	12	-	12
Transfer from departmental balances	(68)	68	-
Release of Revaluation Reserve	378	-	378
<b>At 31 July 2007</b>	<b>1,272</b>	<b>82</b>	<b>1,354</b>

21 Reconciliation of operating surplus/(deficit) to Net

	31 July 2007 £000	31 July 2006 £000
<b>Cash Flow from Operating Activities</b>		
Surplus/(deficit) after depreciation of assets at valuation		34
Depreciation	11	1,085
Deferred grants released to income	17	(146)
Endowment & investment income		(203)
Interest payable	9	102
Increase in stock		(1)
Decrease/(increase) in debtors		119
Increase in creditors		1,124
(Decrease)/increase in provisions	16	(114)
<b>Net cash inflow from operating activities</b>	<b>2,000</b>	<b>871</b>

NOTES TO ACCOUNTS - continued

22 Returns on Investments and Servicing of Finance	<i>Notes</i>	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
Income from endowments	18	71	62
Interest received on current accounts		132	78
Interest paid on long term loans	9	(102)	(105)
<b>Net cash inflow from returns on investments and servicing of finance</b>		<b>101</b>	<b>35</b>

23 Capital Expenditure and Financial Investments	<i>Notes</i>	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
Payments to acquire tangible assets	11	(634)	(900)
Payments to acquire fixed asset investments	11		-
Payments to acquire endowment investments		(562)	(251)
Deferred capital grants received	17	287	184
Receipt from sale of endowment investments		529	304
Endowments received in year		816	-
<b>Net cash inflow/(outflow) from capital expenditure and financial investments</b>		<b>436</b>	<b>(663)</b>

24 Financing	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
Capital element of loan repayments	(48)	(48)
<b>Net cash outflow from financing</b>	<b>(48)</b>	<b>(48)</b>

25 Analysis of Changes in Net (Debt)/Funds	<i>Notes</i>	As at 1 Aug 2006 £ 000	Cash Flow £ 000	Other Changes £ 000	As at 31 July 2007 £ 000
Endowment Assets	12	631	805	-	1,436
Cash in hand, and at bank		728	1,684	-	2,412
		1,359	2,489	-	3,848
Due within one year	15	(50)		(2)	(52)
Due after one year	15	(1,805)	48	2	(1,755)
<b>Total</b>		<b>(496)</b>	<b>2,537</b>	<b>-</b>	<b>2,041</b>

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 2007 the School received income from GSA Enterprises of £75,000 (2005/06 £75,000) 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 £963,000 (2005/06- £846,000). The pension costs are assessed in accordance with the 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 Scheme are as follows:

Valuation date	31 March 2005
Valuation method	Projected unit method
Market value of assets	£ 7,005 million
Investment return per annum	6.7%
Salary scale increases per annum	4.4%
Pension increases per annum	2.9%

The School paid contributions of 15.7% 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 pension 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
Gross rate of 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 12.8% 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 accounts for its pension costs on a defined contribution basis as permitted by Financial Reporting Standard No.17.

NOTES TO ACCOUNTS - continued

28 Post Balance Sheet Events

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

29 Capital Commitments

	31 July 2007 £000	31 July 2006 £000
Committed and contracted as at 31st July 2007	<u><u>-</u></u>	<u><u>-</u></u>

30 Contingent Liabilities

There were no contingent liabilities at the balance sheet date.

31 Bursary and Other Student Support Funds

	Hardship £000	2006 - 2007 Total £000	2005 - 2006 Total £000
Balance brought forward at 1 August 2006	8	8	15
Funds received in year	89	89	85
Transfer between funds			
Expenditure	<u>(95)</u>	<u>(95)</u>	<u>(92)</u>
Balance carried forward at 31 July 2007	<u><u>2</u></u>	<u><u>2</u></u>	<u><u>8</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 Income and Expenditure Account.



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