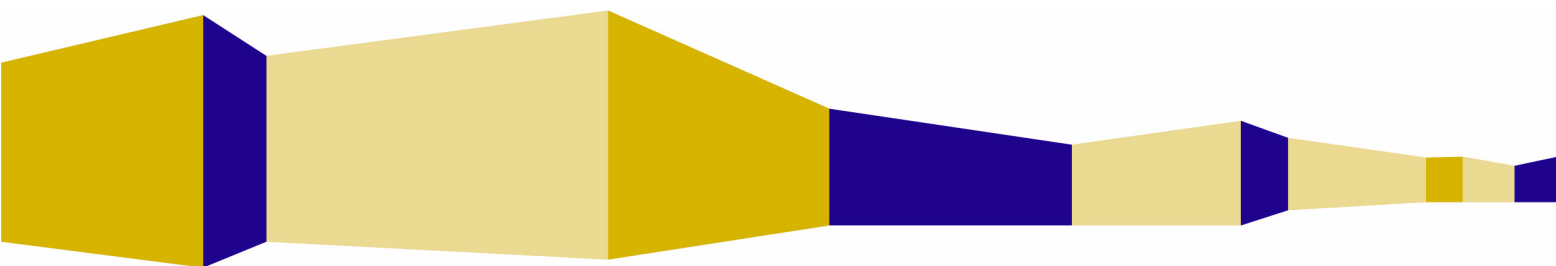


**THE GLASGOW
SCHOOL OF ART**



Annual Report & Accounts

2001 - 2002
Year ended 31 July 2002

**ANNUAL REPORT AND ACCOUNTS
YEAR ENDED 31 JULY 2002**

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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
Chairman	Simon Paterson
Vice Chairman	Nick C D Kuenssberg BAHons(Oxon) FCIS CIMgt FinstD FRSA
Director	Professor Seona Reid BA(Hons) D.Arts D.Litt FRSA
Deputy Director	Professor Timothy E Jones DipAD MA(RCA) Med FRSA
Director of Finance and Resources	Eliot S Leviten BSc.(Hons) FCA

Conveners of Committees

Audit	William J English OBE CPFA
Business	Simon Paterson
Museums Management	William R Hardie MA(Hons) FSA(Scot)
Estates Strategy	Thomas A Elder FRIAS
Personnel	Christine Hamilton MA(Hons)

Registered Office
167 Renfrew Street
Glasgow
G3 6RQ
Telephone: 0141-353-4500

Solicitors
McClure Naismith
292 St Vincent Street
GLASGOW
G2 5TQ

External Auditor
KPMG LLP
24 Blythswood Square
GLASGOW
G2 4QS

Bankers
Royal Bank of Scotland plc
393 Sauchiehall Street
GLASGOW
G2 3ND

Registered Charity Number
SCO 12490

Board of Governors

Governors Ex Officiis

Director of the School	Prof. Seona Reid BA (Hons) D.Arts D.Litt FRSA
Deputy Director of the School	Prof. Timothy E Jones DipAD MA(RCA) Med FRSA
President of the Students' Representative Council	Elaine Dearie

Appointed by the Governing Board

	A	Jeanette Anderson Bacc. CA
	B	John A Batters LLB (Hons)
	E	Paul B Dowds CEng FICE MIHT Eurlng
	E	Thomas A Elder FRIAS
	A	William J English OBE CPFA
	A E P	Christine Hamilton MA (Hons)
	M	William R Hardie MA (Hons) FSA (Scot)
	B	Don J Kinloch CA
		Professor Janice M Kirkpatrick
	A B E	Nick C D Kuenssberg BA Hons (Oxon) FCIS CIMgt FinstD FRSA
	B E	Simon Paterson
	B	Fred C Shedden MA LLB (Appointed 18 March 2002)
		Eleanor Taffner BA FRSA
		Dr Ruth Wishart
Appointed by the Academic Council		Professor Thomas J Cooper MA
Elected by full-time Academic Staff	B M	Alexander Page Dip Arch ARIAS
Elected by the Full-Time Support Staff	B E P	Ian Thomson BSc (Hons)
Secretary to the Board of Governors		Eliot S Leviten BSc (Hons) FCA

A – Member of Audit Committee

B – Member of Business Committee

E – Member of Estates Strategy Committee

M – Member of Museums Committee

P – Member of Personnel Committee

Review of the year by the Governors

Results for the year ended 31 July 2002:

Income & Expenditure Account

Our funding from the Scottish Higher Education Funding Council increased by £834,000, compared to the previous year. The Income and Expenditure Account on page 10 shows a deficit of £726,000 for the year ended 31 July 2002. However, £360,000 of this deficit relates to an exceptional adjustment resulting from an actuarial valuation of the pension liability relating to prior years' enhanced early retrials. This has been fully charged to this year's Income and Expenditure Account.

Balance Sheet

The total net assets of the School decreased by £989,000 from £19,645,000 as at 31 July 2001 to £18,656,000. The cumulative Income and Expenditure Account decreased from £516,000 as at 31 July 2001 to £167,000 as at 31 July 2002. The School's cash balances have decreased by £186,000 from £635,000 to £449,000.

Endowment Assets

The return on Endowment Asset Investments was 4.89%, compared with 4.39% last year. This return is calculated on both dividend and bank interest received.

The market value of the total Endowment assets held by the School fell from £1,413,000 to £1,330,000, a decrease of £83,000.

Capital Projects

Capital Expenditure in the year was £587,000. This is broadly in line with the previous year's figure of £574,000.

Cash Flow

The Cash Flow Statement shows a net outflow of £152,000 (inflow £127,000 2000/01) in the financial year.

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 2002 the School had an average of 11 days purchases outstanding in trade creditors.

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. It is the intention, that over the period of the five year plan, the School should significantly increase the number of full-fee paying overseas students. Our marketing strategy for recruitment of students is regularly reviewed as future recruitment may be significantly affected by changes to the tuition fees system, and the economic downturn in certain countries from which we recruit on a regular basis.

Estate

The School is finalising its strategy for Estate redevelopment, which over the next ten years plans to consolidate the campus around a smaller core with significant new build and refurbishment and allow the disposal of some outlying and unsuitable buildings.

Review of the year by the Governors – continued

Future Developments - continued

Small Specialist Institution Status

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

Research Assessment Exercise (RAE)

The School performed very well in the Research Assessment Exercise 2001 and our rating was raised by two grades to a 4. The GSA is now the second largest Art & Design research community in the UK and our Research Grant will increase from £365k in the current year to £1.3m next year.

Structure Group

The School received a SHEFC grant for change management with the aim of developing a more effective management structure for the School. A new structure has been successfully implemented.

Employment of Disabled Persons

People with disabilities are offered equal opportunities to enter employment and progress within the School. The School will follow 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 onto 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 Personnel Committee which has the undernoted remit:

- a) to discuss and comment on policy and procedure in relation to staffing matters eg recruitment, training, equal opportunities, discipline and grievance.
- b) to remit items for consideration to any committee within the School whether of the Governing Board or the Academic Council or any other body within the School.
- c) to have the right to request information relative to any topic discussed in open meeting from any of the above mentioned bodies.
- d) to have questions or items for consideration remitted to it from any of the above bodies.
- e) to have the right to discuss any new personnel policy or procedure prior to it being approved by the Board of Governors

Membership of the Committee is:

Not more than three Governors nominated by the Board of Governors, one of whom is the Convenor of the Committee.

Not more than three nominated members from the Academic Council.

Three staff members, one of each from MSF, UNISON and EIS, the main staff unions.

One elected member from the manual workers, which includes cleaners and janitors.

One elected member from the maintenance staff and technical staff which includes the plant engineer, electricians, models and technicians.

One elected member from administration, which includes all library (academic and non-academic), clerical, secretarial and telephonist staff.

The President of the SRC.

The Director of Finance & Resources

The Personnel Officer as Secretary to the Committee

Donations to the School

The Governors of the School would like to gratefully acknowledge the help and support received over the past year from our many alumni, friends and supporters.

£5,000 and over

MMI
McGrigor Donald
Gordon Yuill and Company
Scottish Courage
Incorporation of Weavers

WL Gore
Scottish Enterprise Glasgow
BGR (Indonesia)
Steven Velozzo

Up to £5,000

Mr. Nick Kuenssberg
Ms Christine Hamilton
DWT Cargill Fund
Art Store
Incorporation of Bonnetmakers and Dyers
Business AM
Bonham Auctioneers
Linn Products Limited
Scottish Museums Council
Beith Printing
BD – Tank
Bellahouston Bequest
Deutsche Bank AG
Macfarlane Group Ltd
Harbour Charitable Trust
Millers Art Shop
Lord MacFarlane of Bearsden
Roadline (Glasgow)
Ceramic Tile Distributors

Mr Samer Kawar
Mrs Maria Stewart Drummond
Dr Bet Low
Mr. John Somers Forrest
Mr Wilson Taylor
Mrs Janet Murray Houston
Mr Scott Parsons
Mr Don Kinloch
Dr Nan and Donald Blair
Mrs Jeanette Anderson
Mr William English
Mr. Fred Shedden
Mr Philip Reeves
Incorporation of Skinners
Mr Roger Ackling
Incorporation of Hammermen
BuroHappold (London)
Domino UK Ltd
South Lanarkshire Council

Auditors

KPMG were re-appointed auditors on 3 December 2001. However, since that date their business was transferred to a limited liability partnership, KPMG LLP. Accordingly, KPMG resigned as auditors on 7 June 2002 and the Governors thereupon appointed KPMG LLP to fill the vacancy arising.

Corporate Governance Statement

The School is committed to exhibiting 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. 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 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 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 from September 2002 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 is unable to state that the process has been put in place for this year as this period was needed to put in place the procedures which the Board of Governors agreed should be established.

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 Schools 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 Higher Education 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 several Committees, including a Business Committee, a Personnel Committee, an Estates Strategy Committee, a Museums Management Committee, a Remuneration Committee and an Audit Committee. 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. 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 building affairs of the School.

The Personnel 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 Strategy Committee is responsible for overseeing the Development Funding Strategy and implementation of the School's Estate Strategy.

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

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 Higher Education Funding Council as they affect the School's business and monitor adherence with the regulatory requirements.

Corporate Governance Statement – continued

It is intended that the senior management team will receive reports setting out key performance and risk indicators and will consider possible control issues brought to their attention by early warning mechanisms which are embedded within the operational units and will be reinforced by risk awareness training. The senior management team and the Audit Committee will also 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 now includes a regular item for 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 will report annually to the board on risk management.

Guide to Governing Bodies

The Guide for Members of Governing Bodies of Scottish Higher Education Institutions and Good Practice Benchmarks was issued by SHEFC in January 1999. SHEFC 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 the 26 recommendations contained in the Guide.

The Directorate

The Directorate comprises the Director (Principal), Deputy Director and Director of Finance & Resources. It is the principal executive body of the School and is responsible to the Board for the School's day-to-day management, policy and for the development and execution of the Strategic Plan.

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 Academic Standards and Research Committees and deputises for the Director in her absence.

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

Responsibilities of The Board of Governors

In accordance with the School's Memorandum and Articles of Association, the Board 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 Higher Education 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 responsible steps to:

- ensure that funds from the Scottish Higher Education 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.

By order of the Board

.....SIMON F PATERSON, Chairman

.....PROFESSOR SEONA REID, Director

.....ELIOT S LEVITEN, Director of Finance & Resources

3 December 2002

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

We have audited the accounts on pages 10 to 26 which have been prepared in accordance with the accounting policies set out on page 14.

Respective responsibilities of the Board of Governors and Auditors

The Board of Governors is responsible for preparing the annual report. As described on page 8, 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. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the requirements of the Scottish Higher Education 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 Higher Education Funding Council.

We read the other information contained in the annual report and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of Audit Opinions

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board and the Scottish Higher Education 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 of the state of affairs of the School as at 31 July 2002 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 Higher Education Funding Council.

KPMG LLP
Chartered Accountants
Registered Auditor
24 Blythswood Square
GLASGOW
G2 4QS

3 December 2002

THE GLASGOW SCHOOL OF ART
INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 July 2002

	<i>Notes</i>	Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
INCOME			
Funding Council Grants	1	8,177	7,343
Tuition fees and education contracts	2	2,981	2,908
Research grants and contracts	3	558	786
Other income	4	612	590
Endowment and Investment income	5	114	175
Total income		<u>12,442</u>	<u>11,802</u>
EXPENDITURE			
Staff pay costs	6	7,078	6,700
Exceptional pension charge	6	360	-
Depreciation	11	854	784
Other operating expenses	8	4,757	4,459
Interest payable	9	119	146
Total expenditure		<u>13,168</u>	<u>12,089</u>
(Deficit) on continuing operations after depreciation of assets at valuation		(726)	(287)
Taxation		-	-
(Deficit) on continuing operations after depreciation of assets at valuation and taxation		<u>(726)</u>	<u>(287)</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 2002

	<i>Notes</i>	Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
(Deficit) on continuing operations after depreciation of assets at valuation and taxation		(726)	(287)
Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the re-valued amount	20	377	377
Historic cost (deficit) / surplus		<u>(349)</u>	<u>90</u>

THE GLASGOW SCHOOL OF ART

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 July 2002

	<i>Notes</i> £000	Year Ended 31 July 2002 £000	Year Ended 31 July 2002
(Deficit) on continuing operations after depreciation of assets at valuation and taxation		(726)	(287)
(Diminution) of endowment asset investments	18	(85)	(49)
(Loss) / gain on sale of endowment asset investments		(29)	3
Endowment income retained for the year	18	31	52
Total recognised (losses) relating to the period		(809)	(281)
 Reconciliation			
Opening reserves and endowments		16,875	17,156
Total recognised (losses) for the year		(809)	(281)
Closing reserves and endowments		16,066	16,875

THE GLASGOW SCHOOL OF ART

BALANCE SHEET
As at 31 July 2002

	Notes	2002 £000	2001 £000
Fixed Assets			
Tangible assets	11	21,155	21,422
Endowment Assets	12	1,330	1,413
Current Assets			
Stocks		76	60
Debtors	13	737	1,015
Cash at bank and in hand		449	635
		1,262	1,710
Creditors: amounts falling due within one year	14	(1,882)	(1,926)
Net current liabilities		(620)	(216)
Total assets less current liabilities		21,865	22,619
Creditors: amounts falling due after more than one year	15	(2,028)	(1,995)
Provisions for liabilities and charges	16	(1,181)	(979)
NET ASSETS		18,656	19,645
Deferred capital grants	17	2,590	2,770
Endowments			
Specific	18	981	1,040
General	18	349	373
		1,330	1,413
Reserves			
Revaluation reserve	19	14,569	14,946
Income and expenditure account	20	167	516
Total reserves		14,736	15,462
TOTAL		18,656	19,645

The financial statements on pages 10 to 26 were approved on 3 December 2002 and signed on behalf of the Board by:

SIMON PATERSON, CHAIRMAN OF THE BOARD OF GOVERNORS

PROFESSOR SEONA REID, DIRECTOR OF THE SCHOOL

THE GLASGOW SCHOOL OF ART

CASH FLOW STATEMENT
For the year ended 31 July 2002

	<i>Notes</i>	2002 £000	2001 £000
Cash flow from operating activities	21	334	603
Returns on investments and servicing of finance	22	(5)	(16)
Capital expenditure and financial investment	23	(555)	(405)
Financing	24	74	(55)
		<hr/>	<hr/>
(Decrease)/increase in cash in the year		(152)	127
		<hr/> <hr/>	<hr/> <hr/>
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the period		(152)	127
Movement in capital debt		(74)	55
		<hr/>	<hr/>
Change in net debt		(226)	182
Net debt at 1 August		(952)	(1,134)
		<hr/>	<hr/>
Net Debt at 31 July	25	(1,178)	(952)
		<hr/> <hr/>	<hr/> <hr/>

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 (SORP) and applicable Accounting Standards.

1 Recognition of Income

Income from the Scottish Higher Education 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.

1 Pension Schemes

All 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.

1 Land and Buildings

Under the transitional rules set out in FRS15 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 £10,000. If the cost incurred is over £10,000, 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.

1 Equipment

All equipment and minor building improvements costing less than £10,000 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.

1 Investments

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

1 Stocks

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

1 Maintenance of Premises

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

1 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.

NOTES TO ACCOUNTS

1 Funding Council Grants		Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
	Notes		
Recurrent grant		7,457	6,576
Specific initiatives		543	589
Deferred capital grant released in year			
Buildings	17	97	97
Equipment	17	80	81
		<hr/>	<hr/>
		8,177	7,343
		<hr/> <hr/>	<hr/> <hr/>
2 Tuition Fees and Education Contracts		Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
Full time UK and EU domiciled students		1,705	1,698
Part time UK and EU domiciled students		47	40
Full time students charged overseas fee		990	896
Non vocational courses		239	274
		<hr/>	<hr/>
		2,981	2,908
		<hr/> <hr/>	<hr/> <hr/>
3 Research Grants and Contracts		Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
Research councils		135	20
European Commission		35	15
UK governmental contracts		37	48
Other grants and contracts		120	276
UK industrial and commercial contracts		231	427
		<hr/>	<hr/>
		558	786
		<hr/> <hr/>	<hr/> <hr/>
4 Other Income		Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
	Notes		
Residences		347	306
Release from deferred grants (Non SHEFC)	17	3	3
Other income		262	281
		<hr/>	<hr/>
		612	590
		<hr/> <hr/>	<hr/> <hr/>
5 Endowment and Investment Income		Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
Income from specific endowments		46	91
Income from general endowments		19	16
Bank interest		49	68
		<hr/>	<hr/>
		114	175
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO ACCOUNTS – continued

6 Staff Costs

	Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
The average weekly number of persons (including senior postholders) employed by the School during the period, expressed as full-time equivalents, was:	Number	Number
Teaching departments	108	105
Teaching support services	61	58
Other support services	31	28
Administration and central services	22	22
Premises	54	58
Residences	1	1

	277	272
--	-----	-----

Staff costs for the above persons

	Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
Wages & salaries	6,262	5,942
Social security costs	415	406
Pensions	401	352
Exceptional pension charge	360	-

	7,438	6,700
--	-------	-------

Staff costs by activity

	Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
Teaching departments	3,820	3,612
Teaching support services	1,136	1,062
Other support services	716	642
Administration and central services	629	596
Premises	761	773
Residences	16	15

	7,078	6,700
--	-------	-------

Exceptional pension charge	360	-
----------------------------	-----	---

	7,438	6,700
--	-------	-------

Total

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

£55,001 - £60,000	1	1
£60,001 - £65,000	2	1

	3	2
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NOTES TO ACCOUNTS – continued

7 **Governors' Emoluments**

**Year Ended
31 July 2002
£000**

**Year Ended
31 July 2001
£000**

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

	Number	Number
Nil	16	16
£15,001 - £20,000	-	-
£20,001 - £25,000	-	-
£25,001 - £30,000	1	1
£30,001 - £35,000	-	-
£35,001 - £40,000	-	-
£40,001 - £45,000	2	2
£45,001 - £50,000	-	-
£55,001 - £60,000	-	1
£60,001 - £65,000	1	-
£65,001 - £70,000	-	-
£70,001 - £75,000	-	-
£75,001 - £80,000	-	1
£80,001 - £85,000	1	-
	<hr/>	<hr/>
	21	21
	<hr/> <hr/>	<hr/> <hr/>

The Governors' emoluments are made up as follows:

	Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
Salaries	234	227
Pension contributions	23	21
	<hr/>	<hr/>
Total emoluments	257	248
	<hr/> <hr/>	<hr/> <hr/>

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

	Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
Highest paid Director (i.e. Governor)		
The director of the School	74	71
Pension contributions	9	8
	<hr/>	<hr/>
	83	79
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO ACCOUNTS – continued

8 Other Operating Expenses by Activity	Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
Academic departments		
Equipment and maintenance	658	758
Expenditure on shared courses	531	488
Other expenditure	573	405
	<u>1,762</u>	<u>1,651</u>
Other support services		
Equipment and maintenance	80	86
Other expenditure	127	127
	<u>207</u>	<u>213</u>
Administration and central services		
Auditors' remuneration : external audit	11	12
Auditors' remuneration : internal audit	7	11
Other professional fees	78	13
Equipment and maintenance	93	45
Other expenditure	392	385
	<u>581</u>	<u>466</u>
General academic expenditure		
Validation and assessors	69	70
Other expenditure	248	161
	<u>317</u>	<u>231</u>
Student and staff facilities		
Students Representative Council	41	39
Other expenditure	8	16
	<u>49</u>	<u>55</u>
Premises		
Heat, light, water and power	271	290
Repairs and general maintenance	182	161
Other costs	420	262
	<u>873</u>	<u>713</u>
Residences and Catering		
Residences	134	131
Catering	-	2
	<u>134</u>	<u>133</u>
Other expenditure		
Prizes and related expenditure	65	107
Research grants and contracts	753	865
Realised exchange rate loss/(gain)	7	(18)
Bad debts	9	(31)
Other	-	74
	<u>834</u>	<u>997</u>
	<u>4,757</u>	<u>4,459</u>

NOTES TO ACCOUNTS – continued

9 Interest Payable	Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
Mortgages and loans not repayable within five years	119	146

10 Taxation
The Board do not believe the School was liable for any Corporation Tax arising out of its activities during this period. (2000/01 – Nil)

11 Tangible Fixed Assets

	Land & Buildings £000	Equipment £000	Total £000
Valuation / Cost			
At 1 August 2001	28,126	1,240	29,366
Additional at Cost	300	287	587
	<hr/>	<hr/>	<hr/>
At 31 July 2002	28,426	1,527	29,953
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 August 2001	7,303	641	7,944
Charge for Year	649	205	854
	<hr/>	<hr/>	<hr/>
At 31 July 2002	7,952	846	8,798
	<hr/>	<hr/>	<hr/>
Net Book Value			
At 31 July 2002	20,474	681	21,155
	<hr/>	<hr/>	<hr/>
At 1 August 2001	20,823	599	21,422
	<hr/>	<hr/>	<hr/>

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 Grimleys, a firm of independent 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 with a net book value of £17,605,266 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 Higher Education Funding Council.

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

	2002 £000
Cost	10,193
Aggregate depreciation based on cost	4,516
	<hr/>
Net book value based on cost	5,677
	<hr/>

NOTES TO ACCOUNTS – continued

12 Endowment Assets	31 July 2002 £000	31 July 2001 £000
Balances as at 1 August 2001	1,413	1,407
Additions	237	74
Disposals	(269)	(44)
Increase in cash balances held at fund managers (Diminution) on revaluation of investments	34 (85)	25 (49)
	<hr/>	<hr/>
Balances as at 31 July 2002	1,330	1,413
	<hr/> <hr/>	<hr/> <hr/>
Represented by:		
Fixed Interest Stocks (listed)	400	535
Equities (listed)	422	404
Bank balances	508	474
	<hr/>	<hr/>
Total	1,330	1,413
	<hr/> <hr/>	<hr/> <hr/>
The historical cost of investments shown above is	886	917
	<hr/> <hr/>	<hr/> <hr/>
13 Debtors	31 July 2002 £000	31 July 2001 £000
Trade debtors	30	47
Other debtors	179	256
Prepayments and accrued income	528	712
	<hr/>	<hr/>
	737	1,015
	<hr/> <hr/>	<hr/> <hr/>
14 Creditors: Amounts Falling Due Within One Year	31 July 2002 £000	31 July 2001 £000
Trade creditors	147	188
Social security and other taxes payable	176	166
Other creditors	91	84
Loans (secured) (note 15)	107	66
Accruals and deferred income	1,361	1,422
	<hr/>	<hr/>
Balances as at 31 July 2002	1,882	1,926
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO ACCOUNTS – continued

15 Creditors: Amounts Falling Due After One Year	31 July 2002 £000	31 July 2001 £000
Loan on purchase of Sir Harry Barnes Building	-	436
Loan on building of Margaret McDonald House Residence	-	1,625
Refectory loan (interest free) (secured)	105	-
Combined loan (secured)	2,030	-
	<hr/>	<hr/>
	2,135	2,061
Less: amount falling due within one year (note 14)	107	66
	<hr/>	<hr/>
	2,028	1,995
	<hr/> <hr/>	<hr/> <hr/>

Instalments on the loans above are payable as follows:

Between one and two years	89	70
Between two and five years	154	240
After five years	1,785	1,685
	<hr/>	<hr/>
	2,028	1,995
	<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

Refectory loan

Loan repayable by monthly instalments until November 2004
Interest free (secured on the refectory equipment)

16 Provision for Liabilities and Charges	Provision for Past Service Pensions £000
As at 1 August 2001	979
Provided in year for increase in actuarial valuation of enhanced early retrial costs	360
Expenditure in year	(158)
	<hr/>
As at 31 July 2002	1,181
	<hr/> <hr/>

17 Deferred Capital Grants	Funding Council £000	Other Grants and Benefactions £000	Total £000
At 1 August 2001			
Buildings	2,341	124	2,465
Equipment	305	-	305
	<hr/>	<hr/>	<hr/>
	2,646	124	2,770
	<hr/>	<hr/>	<hr/>
Released to Income and Expenditure			
Buildings	(97)	(3)	(100)
Equipment	(80)	-	(80)
	<hr/>	<hr/>	<hr/>
	(177)	(3)	(180)
	<hr/>	<hr/>	<hr/>
As at 31 July 2002			
Buildings	2,244	121	2,365
Equipment	225	-	225
	<hr/>	<hr/>	<hr/>
	2,469	121	2,590
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NOTES TO ACCOUNTS – continued

18 Endowments		Specific £000	General £000	Total £000
At 1 August 2001		1,040	373	1,413
Diminution of endowment asset investments		(55)	(30)	(85)
Income for the year		46	19	65
Expenditure for the year		(20)	(12)	(32)
Transferred to income and expenditure account		(30)	(1)	(31)
At 31 July 2002		981	349	1,330
Representing				
Prize Funds		981	-	981
Other funds		-	349	349
		981	349	1,330
19 Revaluation Reserve				£000
At 1 August 2001				14,946
Released in year				(377)
At 31 July 2002				14,569
20 Income and Expenditure Account		General Funds £000	Departmental Balances £000	Total £000
At 1 August 2001		321	195	516
Deficit after depreciation at valuation		(726)	-	(726)
Transfer from departmental balances		41	(41)	-
Release of Revaluation Reserve		377	-	377
At 31 July 2002		13	154	167
21 Reconciliation of operating surplus to Net Cash Flow From Operating Activities	Notes		31 July 2002 £000	31 July 2001 £000
(Deficit) after depreciation of assets at valuation			(726)	(287)
Depreciation	11		854	784
Deferred grants released to income	17		(180)	(181)
Interest received on current account			(49)	(68)
Disbursements from endowment funds			(63)	(47)
Interest payable	9		119	146
(Increase)/decrease in stock			(16)	1
Decrease (increase) in debtors			278	(271)
(Decrease)/increase in creditors			(85)	377
Increase in provisions	16		202	149
Net cash inflow from operating activities			334	603
NOTES TO ACCOUNTS – continued				
22 Returns on Investments and Servicing of Finance	Notes		Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000

Income from endowments	18	65	62
Interest received on current accounts		49	68
Interest paid on long term loans	9	(119)	(146)
Net cash outflow from returns on investments and servicing of finance		(5)	(16)

23 Capital Expenditure and Financial Investments	Notes	Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
Payments to acquire tangible assets	11	(587)	(574)
Payments to acquire endowment investments		(237)	(74)
Deferred capital grant received	17	-	242
Receipt from sale of endowment investments		269	(44)
Endowments received		-	45
Net cash (outflow) from capital Expenditure and financial investments		(555)	(405)

24 Financing		Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
New refectory loan		140	-
Redemption of existing property loans		(2,032)	-
New property loan		2,048	-
Capital element of loan repayments		(82)	(55)
Net cash inflow / (outflow) from financing		74	(55)

25 Analysis of Changes in Net Debt				
	Notes	As at 1 Aug 2001 £000	Cash Flow £000	Other Changes £000
Endowment Assets	12	474	34	-
Cash in hand, and at bank		635	(186)	-
		1,109	(152)	-
Due within one year	15	(66)	(74)	33
Due after one year	15	(1,995)	-	(33)
Total		(952)	(226)	-

26 Related Party Transactions

The Board of Governors consider the relationships that the school has with GSA Enterprises Ltd. and House for an Art Lover Ltd. to have the characteristics of related parties under the Financial Reporting Standard (FRS) 8.

GSA Enterprises Ltd.

In the year ended 31 July 2002 the school received income from GSA Enterprises of £20,000 including Gift Aid contributions.

House for an Art Lover Ltd.

The School leased a proportion of the building at Bellahouston Park, Glasgow from the company.

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 £401,000 (2000/01 - £352,000). 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:

	Year Ended 31 July 2002	Year Ended 31 July 2001
Valuation Date	31 March 2002	31 March 2001
Valuation Method	Projected unit method	Projected unit method
Market value of assets	£5,570 million	£6,048 million
Investment return per annum	7.4%	6.6%
Salary scale increases per annum	3.9%	4.0%
Pension increases per annum	2.4%	2.5%

The school paid contributions of 13.2% 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.

FRS17

Under the transitional arrangements of FRS17, the school is required to disclose further information on it's share of estimated assets and liabilities of the SPF scheme on an FRS17 market value basis at the end of the accounting period. The information is set out below:

	31 July 2002		31 July 2001	
Actuarial assumptions				
- discount rate	6.0%		5.7%	
- salary increase rate	3.9%		4.0%	
- pension increase rate	2.4%		2.5%	
- rate of inflation	2.4%		2.5%	
Value of assets				
-equities	£ 4.638	million	£ 5.350	Million
- bonds	£ 0.691	million	£ 0.743	million
-other	£ 0.868	million	£ 0.841	Million
	-TOTAL	£ 6.198 million	£ 6.934	Million
Present value of liabilities	£ 6.722	million	£6.589	Million
Present value of unfunded liabilities	£ 0.241	million	£ -	Million
Total value of liabilities	£6.963	million	£6.589	Million
Net Pension (liability) / asset	(0.765)		0.345	

NOTES TO ACCOUNTS – continued

Movement in surplus / (deficit) during the year	Year Ended 31 July 2002 £000
Surplus as at 01 August 2001	£ 345
Current service cost	£ (234)
Employer contributions	£ 314
Net Return on assets	£ 86
Actuarial (losses)	£ (1,276)
 (Deficit) as at 31 July 2002	 £ <u>(765)</u>

If these amounts had been recognised the impact would have been:

Analysis of amounts chargeable to income and expenditure account	Year Ended 31 July 2002 £000
Current service cost	£ 234
Interest on pension scheme liabilities	£ 376
Expected return on employer assets	£ (462)
 Net income and expenditure account cost	 £ <u>148</u>

Analysis of amounts recognized in statement of total recognized gains & losses	Year Ended 31 July 2002 £000
Actual return less expected return on pension scheme assets	£ (1,550)
Experience gains and losses arising on the scheme liabilities	£ 188
Changes in assumptions underlying the present value of the scheme liabilities	£ 86
 Actuarial (loss) in pension plan	 £ <u>(1,276)</u>

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 1991
Valuation Method	Projected Unit Method
Market value of assets	£2,673 million
Investment return per annum	3.5%
Salary scale increases per annum	2.5%

The contributions payable by the school during the accounting period were equal to 6.98% of total pensionable salaries.

The contributions rate rose from 6.9% to 7.15% in April 2002 and is due to increase to 7.4% from April 2003.

The contribution rate, and the cost of index-linked pension increases which is currently met from the Government's supplementary credit will be reviewed as part of the actuarial valuation being carried out as at 31 March 2001. 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 will therefore account for its pension costs on a defined contribution basis as permitted by FRS17. This will include the additional 0.25% contributions payable from April 2003 to make up the deficiency in funding level disclosed above.

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 2002	31 July 2001
	£000	£000
Committed and contracted as at 31 July 2002	-	65
	<u> </u>	<u> </u>

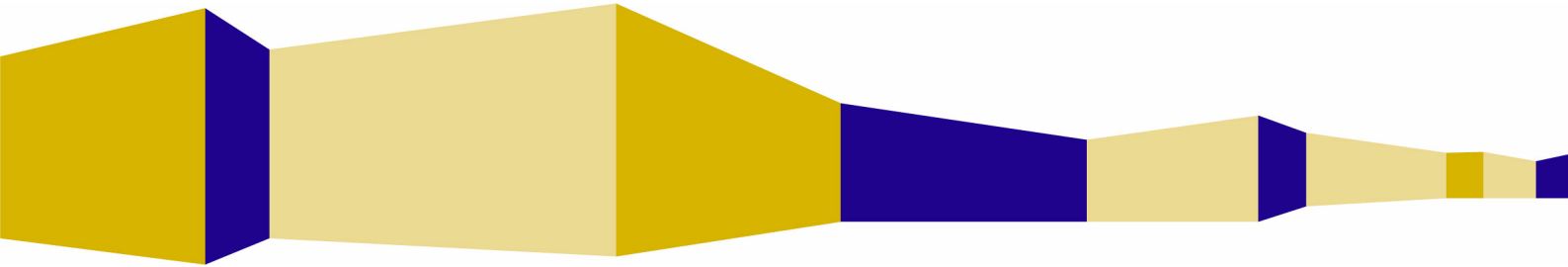
30 Contingent Liabilities

There were no contingent liabilities at the balance sheet date

31 Access Funds

	Year Ended	Year Ended
	31 July 2002	31 July 2001
	£000	£000
Government Grants	65	71
Interest Earned	2	3
	<u> </u>	<u> </u>
Disbursed to students	(67)	(74)
	<u> </u>	<u> </u>
Balance unspent at 31 July	-	-
	<u> </u>	<u> </u>

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



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