

Edinburgh College of Art

Annual Report and Accounts 2005/06

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College Secretary's Report

Scope of Financial Statements

The Financial Statements reflect the results of the College for the year to 31 July 2006.

Results for the year

The College's Income and Expenditure Account is summarised as follows:-

	Group	ECA (West Port) Ltd	College	College
	2006	2006	2006	2005
	£'000	£'000	£'000	£'000
				Re-stated
Total Operating Income	14,707	0	14,707	14,068
Total Operating Expenditure	14,368	219	14,149	13,626
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Total Operating Surplus/(Deficit)	339	(219)	558	442
Gain on disposal of assets	2,219	0	2,219	0
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	2,558	(219)	2,777	442
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The Accounts show a continuing trend of operating surpluses. This position has been achieved with the continuing support of the Scottish Funding Council in funding the College as a Small Specialist Institution.

Fixed Assets

Purchases are in respect of the renewal and improvement of existing equipment and buildings, and the increase in provision of computer equipment.

Other Operating Expenses

Spend on non-pay budgets is monitored throughout the year with variances requiring explanation; action is taken where there is a likelihood of any overspend in the year. The College makes best use of discounts available and consortium deals to ensure value for money in its non-pay expenditure.

Student Tuition Fees and Debt

The College continues to be concerned about the debt incurred by students in the course of their studies which is exceptional in the case of Art and Design students because of their need to purchase expensive materials. Whilst the level of debt within the HE sector is increasing year on year, the College's bad debts are reducing due to effective control procedures in place.

College Secretary's Report

Cash Flows

The cash flow of the College throughout the year is dependant upon the profile of the grant allocation from the Funding Council and the receipt of student fees at the start of the session and the second and third terms. The College's cash flow this year has shown a healthy positive increase of £1,873,000 (£281,000, 2004/05).

The College has an overdraft facility with its principal bankers and makes use of this as necessary to manage its financial affairs.

Investments

The College's Investments are managed by Baillie Gifford Investment Managers Limited. These funds are invested through a separate "Edinburgh College of Art Fund" within Baillie Gifford. This fund is split in two, one for the investment of Endowments, Awards and Bequests (which is required to produce a yield sufficient to provide the funding for prizes and awards), and the other is an Investment Fund for Pension Provision (not a mandatory pension scheme), which is invested for capital growth. The performance of these funds is closely and regularly monitored by the Finance Committee, ensuring both an adequate return and capital appreciation against appropriate benchmarks. During the year, the Board took the decision to dis-invest from the latter fund and to invest the accumulated asset in the College's estates infrastructure, believing this to be a better use of funds.

Suppliers' Payments

The College follows a policy of timely payment to suppliers, such that all invoices are settled in the month following the invoice date. This helps the College maintain good relations with its suppliers and complies with the CBI Prompt Payment Code with regard to payments to creditors. The creditors' balance at 31 July 2006 represented 7.7% of invoiced purchases during the year.

Employment of People with Disabilities

The College has taken steps to ensure appropriate compliance with The Disability Discrimination Act. Applications for employment by people with disabilities are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of existing employees becoming disabled, every effort is made to ensure that their employment with the College continues and that appropriate training is arranged. It is the policy of the College to promote equality of opportunity for disabled staff and students in respect of recruitment, induction training and educational/career development.

Employee Involvement

The College places considerable value on the involvement of its employees and on good communication with them. Staff are encouraged to participate in formal and informal consultations at the College, sometimes through the medium of formal committees. The College has formal mechanisms for staff review and development and has implemented a system of needs assessment for the provision of training for all categories and levels of staff.

Auditors

These accounts are audited by Ernst & Young LLP who were appointed by the Board of Governors in June 2001 after a tendering process, and on the recommendation of the Audit

College Secretary's Report

Committee. The Auditors were re-appointed in June 2006, following a competitive tendering process, for a further three year period to 31 December 2009.

Conclusion

The year has been unique in many respects related primarily to the acquisition of a subsidiary company: AMA (West Port) Ltd, now re-named ECA (West Port) Ltd. The company acquisition (which has required the production of Group accounts for the first time) enabled the College to realise a long-held ambition to acquire Evolution House (which is currently undergoing fit-out with a view to occupation by March 2007), adjacent to the main Lauriston Place campus, as a major part of the strategy for estates consolidation onto a single site. This involved considerable effort on the part of staff and Governors over the past year.

During the year, the College has significantly improved its financial and cash flow position, showing an operating surplus above the projected out-turn for the year. This has been achieved whilst investing heavily in the College's estates infrastructure in order to provide efficient teaching and research facilities of the highest quality.

I should wish to record my particular thanks to Members of the Estates and Finance Committees for their invaluable support and sound guidance which remained steadfast throughout this period.

Michael W Wood
College Secretary

Corporate Governance

Statement of Governance Procedures applied by the Board of Governors

The following statement is given to assist readers of the Financial Statements to obtain an understanding of the Governance procedures applied by the College's Governing Body (hereinafter referred to as "the Board"). The College is committed to exhibiting best practice in all aspects of Corporate Governance. The College has charitable status and does not fall within the regulations of the London Stock Exchange, however, the College has applied where relevant the principles of Section 1 of the Combined Code of Corporate Governance. This statement summarises the significant principles applied during the year ended 31 July 2006.

The Board has also adopted the core recommendations of the Nolan Committee with regard to Standards in Public Life and these standards of conduct have been included within the Governors' Handbook.

Summary of the College's Structure of Corporate Governance

The College's Board comprises lay and academic persons appointed under the College's Order of Council (1995), the majority of whom are non-executive. The Board is responsible for the College's strategic direction, reputation, financial well-being, the well-being of the staff and students and for establishing and maintaining high standards of academic conduct and probity.

The role of Chairman of the Board is separated from the role of the College's Chief Executive and designated officer, the Principal.

The matters specially reserved to the Board for decision are set out in the Statutes of the College, by custom and under the Financial Memorandum with the Scottish Funding Council. The Board holds to itself the responsibilities for the on-going strategic direction of the College, approval of major developments and the receipt of regular reports from executive officers on the day-to-day operation of its activities.

The College's Board is responsible for the College's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

From December 2002, when the Board adopted a risk management strategy for the College, significant risks have been kept under regular review through the Annual Needs Assessment Report prepared by Internal Audit and approved by the Board. Through this process, the Board aims to embed a culture of risk management throughout the institution, to encourage staff to take ownership of risks and to control the risk management programme through monitoring techniques in accordance with the internal control guidance for directors on the Combined Code as amended by the British Universities' Finance Directors' Group.

The Board has considered its current practices and has compared them with those advocated by the Scottish Funding Council in its Guide for Members of Governing Bodies of Scottish Higher Education Institutions and Good Practice Benchmarks. The Board has embraced this Guide and has adapted its practices to meet the benchmarks of good governing practice as far as its Statutes so permit.

Corporate Governance

The Board discharges its responsibilities as follows:

- The Board meets at least five times a year, one meeting being for the specific purpose of approving the College's Strategic and Operational Plans. The Board considers strategic plans, annual budgets, monitors staffing, student, estates and finance issues, sets and approves performance measures and ensures that there is a clear definition of delegated powers and lines of accountability.
- The Board has the following Committees: Policy & Resources (with Finance, Estates and Health & Safety Sub-Committees), Audit and Chairman's (which acts also as the Remuneration and Nomination Committees). All of these Committees have been formally constituted with terms of reference and comprise mainly lay Governors. In addition to the Board and Chairman's Committee, the Chairman also chairs the Policy & Resources, Remuneration and Nominations Committees. The table below shows the frequency of meetings during the 2005/06 year:

COMMITTEE	FREQUENCY OF MEETINGS
AUDIT	4
AWARDS AND BEQUESTS	2
ESTATES	3
FINANCE	5
JOINT FINANCE/ESTATES	2
JOINT FINANCE/AUDIT	1
HEALTH AND SAFETY	3
POLICY AND RESOURCES	3
BUILDING (I-DESIGN) PROJECT GROUP	14

- The Audit Committee is responsible for meeting four times annually with the External and Internal Auditors to discuss audit findings and to consider detailed audit reports and recommendations for the improvement of the College's systems of internal control, together with management's responses and implementation plans. The Audit Committee also receives and considers reports from SFC as they affect the College's activities and monitors adherence with regulatory requirements. The Committee reviews the College's annual financial statements together with the accounting policies. Whilst senior management attend meetings of the Audit Committee, as necessary, they are not members of the Committee and the Committee does meet with the external and internal auditors on their own for independent discussions.
- The Policy and Resources Committee reviews and approves College policies and procedures, monitors staffing and receives reports from the Colleges' Finance and Health and Safety Sub-Committees.
- The Finance Sub-Committee *inter-alia* recommends to the Board the College's Financial Plans and Annual Budgets and monitors performance in relation to the approved budgets. The Awards & Bequest Sub-Committee reports to the Finance Committee.
- The College Secretary is Secretary to the Board of Governors.

Responsibilities of the Board of Governors

Requirement to Present Audited Financial Statements

In accordance with the Statutory Instrument governing the College, the Board of Governors is responsible for the administration and management of the College's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements 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 College and enable it to ensure that the financial statements are prepared in accordance with the Edinburgh College of Art (Scotland) Order of Council 1995, the Statement of Recommended Practice on Accounting for Further and Higher Education 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, 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 College and of the surplus or deficit and cash flows for that year.

Preparation of the Financial Statements

In causing the financial statements to be prepared, the Board has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgments 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;
- financial statements are prepared on the 'going concern' basis unless it is inappropriate to presume that the College will continue in operation. The Board is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board has taken 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 from other sources;
- safeguard the assets of the College and hence take reasonable steps to prevent and detect fraud;
- ensure economical, efficient and effective management of the College's resources and expenditure

Responsibilities of the Board of Governors

Internal Financial Control

The key elements of the College's system of internal financial control, which is designed to discharge the responsibilities set out above, include:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cashflow budgets;
- regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast out-turns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and the Board;
- a professional internal audit provision whose annual programme is approved by the Audit Committee.

Any system of internal financial control can, however, only provide reasonable, but not absolute assurance against material misstatement or loss.

Independent Auditors' Report to the Board of Governors of Edinburgh College of Art

We have audited the Group and College Financial Statements for the year ended 31 July 2006 which comprise the Statement of Principal Accounting Policies, Consolidated Income & Expenditure Account, Consolidated Statement of Total Recognised Gains and Losses, Consolidated and College Balance Sheets, Consolidated Cash Flow Statement, and the related notes 1 to 28. These Financial Statements have been prepared on the basis of the accounting policies set out in the Statement of Principal Accounting Policies.

This report is made solely to the Board of Governors of Edinburgh College of Art, as a body, in accordance with the Order in Council (1995). Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Board of Governors 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

As described in the Statement of Responsibilities of the Board of Governors, the Board is responsible for the preparation of the financial statements in accordance with the College's Charter, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and other applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions.

We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the College have been applied for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Scottish Higher Education Funding Council.

We also report to you if, in our opinion, the Report by the College Secretary is not consistent with the financial statements, if the College has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Report by the College Secretary and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Code of Audit Practice issued by the Scottish Funding Council. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Board in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Group's and College'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

Independent Auditors' Report to the Board of Governors of Edinburgh College of Art

assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Opinion

In our opinion:

- (i) the Financial Statements give a true and fair view, in accordance with United Kingdom Generally accepted Accounting Practice of the state of affairs of the College and of the Group as at 31 July 2006, and of the surplus of the Group's income over expenditure and the Group's cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions;
- (ii) income from the Scottish Funding Council, grants and income for specific purposes and from other restricted funds administered by the College have been applied for the purposes for which they were received; and
- (iii) income has been applied in accordance with the Further and Higher Education (Scotland) Act 1992 governing the College and, where appropriate, with the Financial Memorandum dated 1 August 1996 (incorporating 1998 revisions) with the Scottish Funding Council.

Ernst & Young LLP
Registered Auditor
10 George Street
Edinburgh, EH2 2DZ

Statement of Principal Accounting Policies

Basis of Accounting

The financial statements are prepared under the historical cost convention in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and other applicable accounting standards.

Prior year adjustments

The College has adopted Financial Reporting Standard 17 (FRS17) "Retirement Benefits" which has resulted in a change in the accounting policy for the defined benefit pension plan in operation. Previously the requirements of Statement of Standard Accounting Practice 24 were followed. The effect of this change has been to decrease profit by £53,000 for the year ended 31 July 2006 and increase it by £38,000 by for the year ended 31 July 2005. In addition, an actuarial gain of £19,000 and a loss of £523,000 have been included in the statement of recognised gains and losses relating to the financial periods to 31 July 2006 and 31 July 2005 respectively. The pension liability has been increased by £3,081,000 at 1 August 2004.

Basis of consolidation

The group financial statements consolidate the financial statements of the College and all its subsidiary undertakings drawn up to 31 July each year.

Recognition of Income

Income from specific endowments and donations, research grants, research contracts and other services rendered is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs. All income from short term deposits and General Endowment Asset Investments is credited to the Income and Expenditure Account on a receivable basis.

Taxation Status

The College has been granted charitable status by HM Inland Revenue (Reference No SC0009201), and accordingly the College is potentially exempt from taxation in respect of income or capital gains tax received within the categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The College receives no similar exemption in respect of Value Added Tax.

Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Land and Buildings

Freehold land and buildings are stated at cost. Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings have been depreciated with effect from 1 August 1993 in order to write-off the cost over their expected useful lives on a straight-line basis. Leasehold Buildings are stated at cost and depreciated in order to write-off the cost over the period of the lease. Details of depreciation rates are given in the accounting policy for depreciation.

Statement of Principal Accounting Policies

Land and buildings acquired with the aid of specific grants from the former Scottish Office Education Department (SOED) and the Scottish Funding Council (SFC) are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings on a straight-line basis.

The portfolio of land and buildings is appraised regularly as part of the College estate strategy. Where assets with no future long-term operational use are identified, disposal is considered. Where the College resolves to dispose of an asset it is stated at the lower of its written down value or net realisable value and transferred to current assets.

Maintenance of Premises

The College has a rolling maintenance plan which is reviewed on an annual basis. The cost of routine corrective maintenance, refurbishment, and any building work not of a capital nature is charged to the income and expenditure account as incurred.

Equipment

Equipment costing less than £1,000 per individual item or group of related items and computers and software, costing less than £500, is written off in the year of acquisition. All other equipment is capitalised, stated at cost and depreciated over its expected useful life. Details of depreciation rates are given in the accounting policy for depreciation.

Equipment acquired with the aid of specific grants from the former SOED and the SFC is capitalised and depreciated as above. The related grants are treated as deferred equipment grants and released to income over the expected useful life of the equipment.

Depreciation

Depreciation is provided on all tangible fixed assets excluding land, which is not depreciated, on a straight line basis in order to write-off assets over their expected useful lives. Expected useful lives for each asset category are as follows:

Freehold Buildings	100 years
Leasehold Buildings	Lease Period
Plant & Machinery	10 years
Fixtures, Fittings & Furniture	7 years
Teaching & Research Equipment	5 years
Computer Equipment	3 years

Operating Leases

Operating lease rental costs are charged to expenditure in equal annual amounts over the periods of the leases.

Fixed Asset Investments

Listed Investments are stated at market value. Unrealised gains or losses representing the difference between investment book cost and market value are taken to the revaluation reserve. Realised gains or losses on the sale of investments are reflected in the income and expenditure account in the year of disposal.

Endowment Asset Investments

Endowment Asset Investments are stated at market value. Unrealised gains or losses representing the difference between investment book cost and market value are taken to the

Statement of Principal Accounting Policies

endowment reserve. Realised gains or losses on the sale of investments are reflected in the income and expenditure account in the year of disposal.

Stock

Stock held for resale has been valued at the lower of cost or net realisable value.

Consolidation of Students Representative Council

As the College's Board of Governors has no controlling influence over the operation of the SRC, the results of the Students Representative Council (SRC) are not consolidated within the College financial statements. This is in keeping with other institutions within the higher education sector.

Pension and Other Retirement Benefit Schemes

LPF

The College is a member of the Lothian Pension Fund which is a defined benefit plan. The assets of this plan are held in separate trustee administered funds. The defined benefit plan's assets are measured using market values. Pension plan liabilities are measured by an actuary using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the College's defined benefit pension plans expected to arise from employee service in the period is charged to operating profit. The expected return on the plan's assets and the increase during the period in the present value of the plan's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

The pension plans, surpluses to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet.

STSS

The College also participates in the STSS pension scheme. The College is unable to identify its share of the underlying assets and liabilities of this scheme on a consistent and reasonable basis, and therefore, as required by FRS17 'Retirement Benefits', accounts for this scheme as if it were a defined contribution scheme. The amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

Provisions

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

Review of Principal Accounting Policies

The Finance Sub-Committee reviewed the College's Principal Accounting Policies at its meeting 6 November 2006 and agreed that they were appropriate to the financial management of the College.

Consolidated Income & Expenditure Account

for the year ended 31 July 2006

	Notes	Group 2006 £000	College 2005 £000 (Re-stated)
INCOME			
Funding Council Grants	1	8,821	8,240
Tuition Fees and Education Contracts	2	3,852	3,768
Research Grants and Contracts	3	384	454
Other Income	4	1,399	1,353
Endowment and Investment Income	5	251	253
		<hr/>	<hr/>
Total Income		14,707	14,068
EXPENDITURE			
Staff Costs	6	9,407	9,096
Staff Restructuring	6	137	126
Other Operating Expenses	8	4,189	3,839
Depreciation	9	491	514
Interest Payable	10	129	35
Transfer from accumulated income within specific endowments	22	15	16
		<hr/>	<hr/>
Total Expenditure		14,368	13,626
(Deficit)/Surplus on continuing operations after depreciation of tangible fixed assets		339	442
Gain on disposal of assets		2,219	0
		<hr/>	<hr/>
Surplus on continuing operations after depreciation of tangible fixed assets		2,558	442
		<hr/> <hr/>	<hr/> <hr/>

Consolidated Statement of Total Recognised Gains & Losses

for the year ended 31 July 2006

	Notes	2006 £000	2005 £000 (Re-stated)
Surplus on continuing operations		2,558	442
Unrealised surplus on revaluation of Fixed Asset Investments	13	0	253
Appreciation of Endowment Asset Investments	14	189	420
Net deferred capital grants (released)/received	19	(126)	24
Net endowment income/(expenditure) for the year	22	0	16
New endowments	22	7	0
Actuarial gain/(loss) recognised in the pension plan	28	19	(523)
		<hr/>	<hr/>
Total recognised gains relating to the year		2,647	632
Prior year adjustment		(3,600)	0
		<hr/>	<hr/>
Total recognised gains and losses since last report		(953)	632
		<hr/>	<hr/>
Reconciliation			
Opening Net Assets as previously stated		13,885	12,214
Prior year adjustment		(3,600)	(3,081)
Total recognised gains relating to the year		2,647	1,152
		<hr/>	<hr/>
Closing Net Assets		12,932	10,285
		<hr/>	<hr/>
Statement of historical cost surpluses and deficits			
Surplus on continuing operations		2,558	442
Realisation of investment revaluation gains of previous years		253	0
		<hr/>	<hr/>
Historical cost surplus		2,811	442
		<hr/>	<hr/>

Balance Sheet

as at 31 July 2006

	Notes	Group 2006 £000	College 2006 £000	Group and College 2005 £000 (Re-stated)
FIXED ASSETS				
Tangible Fixed Assets	12	27,888	8,364	11,113
Investments	13	(0)	611	1,048
Total Fixed Assets		27,888	8,975	12,161
ENDOWMENT ASSETS				
	14	3,974	3,974	3,778
CURRENT ASSETS				
Stocks		65	65	55
Debtors	15	527	16,444	886
Cash at Bank and in Hand		2,669	2,669	804
Total Current Assets		3,261	19,178	1,745
CREDITORS : Amounts falling due within one year	16	(1,687)	(1,572)	(1,573)
Net current assets		1,574	17,606	172
Total assets less current liabilities		33,436	30,555	16,111
Creditors : Amounts falling due after more than one year	17	(14,854)	(11,754)	0
Provisions for liabilities and charges	18	(2,045)	(2,045)	(2,226)
Net Pension Liability	28	(3,605)	(3,605)	(3,600)
NET ASSETS		12,932	13,151	10,285
Deferred Capital Grants	19	8,209	8,209	8,335
ENDOWMENTS				
Specific Endowments	22	3,974	3,974	3,778
RESERVES				
Revaluation Reserve	22	0	0	253
General Reserve excluding pension liability		4,354	4,573	1,519
Pension Reserve	28	(3,605)	(3,605)	(3,600)
General Reserve including pension liability	22	749	968	(2,081)
Total Reserves	22	4,723	4,942	1,950
TOTAL		12,932	13,151	10,285

The Financial Statements on pages 14-28 were approved by the Board of Governors on 18 December 2006 and signed on its behalf by:

Donald Workman
Chairman

Professor Ian G Howard
Principal

Consolidated Cash Flow Statement

for the year ended 31 July 2006

	Notes	2006 £000	2005 £000
Cash flow from operating activities	23	460	424
Returns on investments and servicing of finance	24	122	253
Capital expenditure and financial investment	25	5,419	(396)
Financing	26	(4,129)	0
		<hr/>	<hr/>
Increase in cash in the year		1,872	281
		<hr/> <hr/>	<hr/> <hr/>
Reconciliation of cash flow to movement in net funds/(debt)			
Increase in cash in the period	27	1,872	281
Cash inflow from increase in loans		(11,754)	0
		<hr/>	<hr/>
Change in net debt resulting from cash flows		(9,882)	281
Net funds at start of year	27	834	553
		<hr/>	<hr/>
Net (debt)/ funds at end of year		(9,048)	834
		<hr/> <hr/>	<hr/> <hr/>

Notes to the Accounts

for the year ended 31 July 2006

	Notes	2006 £000	2005 £000
1 Funding Council Grants - SFC			
SFC Recurrent Teaching Grant		6,157	5,976
Funding for Increased STSS Contributions		162	157
SFC Research Grants		1,107	1,166
LTIF Grants		267	0
SRIF Grants		252	135
Other SFC Grants		750	697
Releases of Deferred Capital Grants			
Building Grants		90	93
Equipment Grants		36	16
		8,821	8,240
Grants received from the Funding Council in respect of Hardship and Childcare Funds for students in financial difficulties, and payments to students from this fund, are excluded from the Consolidated Accounts (see Note 32)			
2 Tuition Fees and Education Contracts			
Full Time UK and EU Students		1,765	1,774
Full Time non-EU Students Charged Overseas Fees		1,698	1,533
Part Time Fees		53	42
Non-credit bearing course fees		286	377
Education Contracts		50	42
		3,852	3,768
3 Research Grants & Contracts			
UK Government		196	192
Research Councils		136	163
UK Charities		0	9
UK Industry		9	70
EU Government		9	4
Other overseas		9	0
Other		25	16
		384	454
4 Other Income			
Residences, Catering & Conferences		205	225
Sales to students		608	604
Other Income		557	524
Pension Interest Received		29	0
		1,399	1,353
5 Endowment and Investment Income			
Interest from Fixed Asset Investments		16	30
Other Interest Receivable		78	74
Endowment Income		157	149
		251	253

Notes to the Accounts (continued)

for the year ended 31 July 2006

6 Staff Costs	Notes	2006	2005
Average Staff Numbers by Major Category		Number of employees	
Teaching Staff		87	97
Teaching Support		47	39
Research Grants & Contracts		10	11
Other Support Services		27	28
Administration & Central Services		36	39
Premises		45	46
Other Income Generating Activities		8	9
Catering & Residences		9	10
		269	279
Part time employees are included in the above on the basis of their full time equivalents.			
Analysed as:			
Staff on permanent contracts		247	252
Staff on temporary contracts		22	27
		269	279
Staff Costs for the above persons		£000	£000
Wages and Salaries		7,859	7,645
Social Security Costs		585	563
Pension Costs		963	888
Exceptional restructuring costs		137	126
		9,544	9,222
Teaching Staff		4,035	3,980
Teaching Support		1,095	1,041
Research Grants & Contracts		538	669
Other Support Services		868	811
Administration and Central Services		1,601	1,371
Premises		969	931
Other Income Generating Activities		170	164
Catering & Residences		131	129
Sub-total		9,407	9,096
Exceptional restructuring costs		137	126
		9,544	9,222
Analysed as:			
Staff on permanent contracts		8,682	8,330
Staff on temporary contracts		725	766
		9,407	9,096
Pension Obligations			
Contribution to STSS		397	381
Costs for LGPS		566	507
		963	888
Charge for Serving Employees			
Contribution to LGPS for Former Employees	18	16	15
		979	903
Costs for Pension Schemes			
Direct Payment of Enhanced pensions to Former Employees	18	165	161
		1,144	1,064

Notes to the Accounts (continued)

for the year ended 31 July 2006

7 Emoluments of the Principal and Higher Paid Employees

	Notes	2006	2005
£40,000 - £49,999		29	25
£50,000 - £59,999		1	2
£60,000 - £70,000		2	2
£70,000+		1	1

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

	2006	2005
	£	£
Salary	97,406	94,559
Pension Contributions	12,176	11,820

The estimated value of pension benefits has been calculated in accordance the Statement of Standard Accounting Practice 24.

8 Other Operating Expenses	2006	2005
	£000	£000 Restated
Residences Catering and Conferences	125	143
Consumable and Workshop Expenditure	875	900
Books and Periodicals	127	126
Heat Light Water and Power	289	248
Repairs and General Maintenance	311	298
Auditors' Remuneration		
External Auditors' Remuneration	26	25
Internal Auditors' Remuneration	35	16
Other Services from External Auditors	123	25
Professional Fees	396	213
Equipment operating lease rentals	64	72
Research Contract Expenditure	134	162
(Increase)/Decrease in valuation of fixed asset investments	13	(27)
Other Expenses	1,684	1,638
	4,189	3,839

9 Depreciation

Funded by deferred capital Grants	19	126	109
Funded by General Income		365	405

Charge for the year 12 **491** **514**

10 Interest Payable

Bank Interest	129	35
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The restatement within 2005 accounts of Other Operating Expenses and Interest Payable is due to the introduction of the net costs arising from the requirement to fully disclose the effects of FRS 17.

11 Taxation

The College has been granted Charitable Status by HM Inland Revenue and accordingly the College is potentially exempt from taxation in respect of income or capital gains to the extent that such income or gains are applied exclusively for charitable purposes.

Notes to the Accounts (continued)

for the year ended 31 July 2006

12 Tangible Fixed Assets - Group	Freehold Land	Freehold Buildings	Owned Equipment	Asset under Construction	Total Group
Cost	£000	£000	£000	£000	£000
At 1 August 2005	1,750	9,470	3,350	0	14,570
Additions at Cost	0	0	470	19,524	19,994
Disposals in year	(500)	(2,546)	0	0	(3,046)
At 31 July 2006	1,250	6,924	3,820	19,524	31,518
Depreciation					
At 1 August 2005	0	(1,090)	(2,367)	0	(3,457)
Charge for the Year	0	(90)	(401)	0	(491)
Eliminated on disposals	0	318	0	0	318
At 31 July 2006	0	(862)	(2,768)	0	(3,630)
Net Book Value at 31 July 2006	1,250	6,062	1,052	19,524	27,888
Net Book Value at 1 August 2005	1,750	8,380	983		11,113

Freehold land and buildings with a net book value of £8,509,000 have been funded from Treasury sources. Should the particular property be sold, the College is obliged to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum issued by SFC.

Tangible Fixed Assets - College	Freehold Land	Freehold Buildings	Owned Equipment	Total College
Cost	£000	£000	£000	£000
At 1 August 2005	1,750	9,470	3,350	14,570
Additions at Cost	0	0	470	470
Disposals in year	(500)	(2,546)	0	(3,046)
At 31 July 2006	1,250	6,924	3,820	11,994
Depreciation				
At 1 August 2005	0	(1,090)	(2,367)	(3,457)
Charge for the Year	0	(90)	(401)	(491)
Eliminated on disposals	0	318	0	318
At 31 July 2006	0	(862)	(2,768)	(3,630)
Net Book Value at 31 July 2006	1,250	6,062	1,053	8,364
Net Book Value at 1 August 2005	1,750	8,380	983	11,113

Notes to the Accounts (continued)

for the year ended 31 July 2006

	Notes	Group 2006 £000	College 2006 £000	Group and College 2005 £000
13 Fixed Asset Investments				
Group				
Other investments				
At 1 August 2005		1,048	1,048	914
Additions	25	16	16	30
Disposals		(1,064)	(1,064)	(176)
Increase in valuation of fixed asset investments to Revaluation Reserve	22	0	0	253
Increase in valuation of fixed asset investments to Income & Expenditure Account	8			27
As at 31 July 2006		0	0	1,048
Susidiary undertakings				
Additions in year		0	611	0
As at 31 July 2006		0	611	1,048

The College acquired 100% of the issued share capital of ECA (West Port) Limited (previously called AMA (West Port) Limited on 31st March 2006. The company is a property development company. The consideration paid for the company was £611,000. The assets and liabilities have been included in the balance sheet at their fair value at the date of acquisition.

Net assets at date of acquisition:

	Book value £000	Adjustments £000	Fair value to group £000
Stock	10,560	8,846	19,406
Debtors	209	0	209
Creditors	(15,904)	(3,100)	(19,004)
Net assets acquired			611
Consideration paid			611
Discharged by:			
Cash			357
Costs associated with the acquisition			254
			611

The College hold 100% of the Share Capital of College Promotions Limited, a company registered in Scotland. The Company has not traded in the financial year and is dormant. The investment in the Company amounted to £369 as at 31 July 2006 (£369 - 2005).

The College hold 100% of the Share Capital of Re:Imagine Living Ltd, a company registered in Scotland. The Company has not traded in the financial year and is dormant. The investment in the Company amounted to £1 as at 31 July 2006.

Notes to the Accounts (continued)

for the year ended 31 July 2006

		Group 2006 £000	Group and College 2005 £000
14 Endowment Assets			
At 1 August 2005		3,778	3,342
Unrealised gain/(loss) in year	22	189	420
Increase in endowment asset debtors	22	7	16
		<hr/>	<hr/>
As at 31 July 2006		3,974	3,778
		<hr/>	<hr/>
Represented by:			
Unit Trust Investments		3,937	3,748
Bank Balances		37	30
		<hr/>	<hr/>
As at 31 July 2006		3,974	3,778
		<hr/>	<hr/>

All income from Endowment Assets is spent by way of prizes awarded to students by the Awards & Bequests Sub-committee

Investment Book Value

Unit Trust Investments at Cost	3,650	3,650
	<hr/>	<hr/>

	Group 2006 £000	College 2006 £000	Group and College 2005 £000
15 Debtors - Group			
Amounts due within one year:			
Trade Debtors	76	76	67
Due from Students	30	30	44
Due from subsidiary or associated Companies	0	16,126	3
Prepayments & accrued income	212	212	772
Other debtors	209	0	0
	<hr/>	<hr/>	<hr/>
	527	16,444	886
	<hr/>	<hr/>	<hr/>

16 Creditors - Amounts falling due within one Year

Creditors	358	358	501
Social Security and Taxation Payable	311	311	298
Accruals and Deferred Income	1,018	903	774
	<hr/>	<hr/>	<hr/>
	1,687	1,572	1,573
	<hr/>	<hr/>	<hr/>

17 Creditors - Amounts falling due after more than one year

Bank Loan	(a) 11,754	11,754	0
Other creditors	3,100	0	0
	<hr/>	<hr/>	<hr/>
	14,854	11,754	0
	<hr/>	<hr/>	<hr/>

(a) Bank loans are repayable as follows:

In one year or less	0	0	0
Between one and two years	0	0	0
Between two and five years	254	254	0
In five years or more	11,500	11500	0
	<hr/>	<hr/>	<hr/>
	11,754	11,754	0
	<hr/>	<hr/>	<hr/>

Notes to the Accounts (continued)

for the year ended 31 July 2006	Group 2006 £000	Group and College 2005 £000
18 Provisions for Liabilities and Charges		
Opening Balance as at 1 August 2005	2,226	2,402
Revaluation of unfunded pension liability	0	0
Utilised to pay LGPS scheme for former employees	(16)	(15)
Utilised to pay enhanced pensions for former employees	(165)	(161)
Closing Balance at 31 July 2006	2,045	2,226

As part of an early retirement initiative, the College has granted enhancements to the pension rights of employees accepting early retirement. These enhanced pensions extend beyond the normal pension rights arising from the funded pension schemes which have been detailed in Note 6c. With the exception of enhancements which have been granted under the 'New Blood' Initiative promulgated by the funding Council which are funded jointly by the College and SHEFC, enhanced pensions are not supported by invested assets.

The Pension provision includes a provision for 'New Blood' Initiative enhanced pensions, provision for unfunded enhanced pensions and provision for under-funding in the Local Government Pension Scheme (LGPS) arising from contributions for former employees. Payments of £165,000 (£161,000 - 2005) for enhanced pensions made directly to former employees and payments of £16,000 (£15,000 - 2005) made to the LGPS on behalf of former employees during the year have been set against the provision.

19 Deferred Capital Grants	Notes	SHEFC Grants £000	Other Grants £000	TOTAL £000
Buildings Grants		7,911	183	8,094
Equipment Grants		241	0	241
As at 1 August 2005		8,152	183	8,335
Building Grants Received during year		0	0	0
Released to Income & Expenditure				
Buildings Grants	1	90	0	90
Equipment Grants	1	36	0	36
Released to Income & Expenditure during year		126	0	126
Closing Balances				
Buildings Grants		7,821	183	8,004
Equipment Grants		205	0	205
As at 31 July 2006		8,026	183	8,209

Notes to the Accounts (continued)

for the year ended 31 July 2006

20 Operating Leases	Notes	2006 £000
Operating lease commitments for current financial year on leases expiring:		
Within one year		2
between two and five years		126
		128

21 Capital Commitments	2006 £000
Year-end Capital Expenditure - Committed, Contracted and Authorised	413

22 Reserves - Group	Endowment Reserve £000	Revaluation Reserve £000	General Reserve £000
As at 1 August 2005	3,778	253	1,519
Prior Year Adjustment	0	0	(3,600)
as at 1 August 2005 (restated)	3,778	253	(2,081)
Actuarial Gain	0	0	19
New Endowments	7	0	0
Appreciation of Endowment Investments	189	0	0
Endowment Income for the year	157	0	0
Endowment Expenditure for the year	(142)	0	0
Transfer from accumulated income within specific endowments	(15)	0	0
Transfer from revaluation reserve to general reserve in respect of disposals	0	(253)	253
Surplus on continuing operations	0	0	2,558
	3,974	0	749

The General Reserve comprises the Group General Reserve of £4,354k plus the Pension Reserve of (£3,605k) totalling £749k

Reserves - College	Endowment Reserve £000	Revaluation Reserve £000	Income Reserve £000
As at 1 August 2005	3,778	253	1,519
Prior Year Adjustment	0	0	(3,600)
as at 1 August 2005 (restated)	3,778	253	(2,081)
Actuarial Gain	0	0	19
New Endowments	7	0	0
Appreciation of Endowment Investments	189	0	0
Endowment Income for the year	157	0	0
Endowment Expenditure for the year	(142)	0	0
Transfer from accumulated income within specific endowments	(15)	0	0
Transfer from revaluation reserve to general reserve in respect of disposals	0	(253)	253
Surplus on continuing operations	0	0	2,777
	3,974	0	968

The General Reserve comprises the College General Reserve of £4,573k plus the Pension Reserve of (£3,605k) totalling £968k

Notes to the Accounts (continued)

for the year ended 31 July 2006

23 Net Cash Inflow from Operating Activities	Notes	2006 £000	2005 £000	
Surplus on continuing operations		2,558	439	
Depreciation	9	491	514	
Net Pension Costs (FRS17)		24	0	
Deferred Capital Grants released to Income	19	(126)	(109)	
Gain on disposal of tangible fixed asset		(2,219)	(27)	
Interest Receivable	5	(251)	(253)	
Interest Payable	10	129	0	
Net Endowment Income	22	0	16	
Decrease/(Increase) in Endowment Investment Debtors	14	7	(16)	
(Increase)/Decrease in Stocks		(10)	(4)	
Decrease/(Increase) in Debtors		(12)	(153)	
(Decrease)/Increase in Creditors		50	193	
Increase/(Decrease) in Provisions	18	(181)	(176)	
Net Cash Flow from Operating Activities		460	424	
24 Returns on Investments and Servicing of Finance				
Income from Endowments	5	157	149	
Other Interest Received	5	94	104	
Interest Paid	10	(129)	0	
Net Cash Inflow from Returns on Investment and Servicing of Finance		122	253	
25 Capital Expenditure and Financial Investment				
Purchase of Tangible Fixed Assets		(521)	(675)	
Purchase of Fixed Asset Investment	13	(16)	(30)	
Purchase of Subsidiary Company	13	(611)	0	
Sales of Tangible Fixed Assets	13	4,750	0	
Sales of Fixed Asset Investments		1,817	176	
Deferred Capital Grants Received	18	0	133	
Endowments Received		0	0	
Net Cash Flow from Capital Expenditure and Financial Investment		5,419	(396)	
26 Financing				
Additional Loans in period		16,254	0	
Capital element of loan repaid		(4,500)	0	
Loans Repaid		(15,883)	0	
Net Cash Flow from Financing		(4,129)	0	
27 Analysis of Changes in Net Funds/(Debt)		At 1 August 2005	Cashflows	At 31 July 2006
Endowment Assets Cash In Hand		30	7	37
Cash at Bank		804	1,865	2,669
Total		834	1,872	2,706
Loans		0	(11,754)	(11,754)
Change in Net Funds/(Debt)		834	(9,882)	(9,048)

Notes to the Accounts (continued)

for the year ended 31 July 2006

28 Pension and Similar Obligations

The College provides pensions for the majority of its employees by means of membership of external pension schemes. The principal schemes are the Scottish Teachers' Superannuation Scheme (STSS), administered by the Scottish Office Pension Agency and the Local Government Pension Scheme (LGPS), administered by Lothian Pension Fund.

The Scottish Teachers' Superannuation Scheme (STSS)

The STSS is a defined benefit scheme, which is notionally funded; the Government Actuary using the aggregate method holds scheme assets in a notional fund that is valued every five years. The rate of contribution payable to the scheme is determined by the Secretary of State on the advice of the Government Actuary. Under the scheme, benefits are based on final pensionable salary for academic and related employees. During the financial year the level of contribution to the scheme was £397,000 (£381,000 - 2005).

The Local Government Pension Scheme (LGPS)

The LGPS is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended. Lothian Pension Fund on the advice of the actuaries determine the rate of contributions payable. Lothian Pension Fund holds its LGPS assets in a separate fund. Under the scheme, benefits are based on a final pensionable salary for non-academic and other employees.

Within the Lothian Pension Fund, employer liabilities are based on the individual member profile for each employer. Assets have been tracked for each employer since 2002. Prior to 2002 assets were not tracked individually and the allocation was pro-rata based on the liability profile. It is recognised that the decision and methodology used to apportion the assets as a 2002 was to some extent arbitrary but going forward the approach seems consistent and reliable.

The scheme recently notified employers of their separate contribution rates calculated to reflect their experience profile and address the contribution shortfall within 15 years.

A full actuarial valuation was carried out at 31 July 2006 by a qualified independent actuary. The major assumptions used by the actuary were:

	31 July 2006	31 July 2005	31 July 2004
Rate of increase in salaries	4.6%	4.3%	4.4%
Rate of increase in pensions payments	3.1%	2.8%	2.9%
Discount rate	5.1%	5.0%	5.8%
Inflation assumption	3.1%	2.8%	2.9%

The College's share of assets within the scheme, and the expected rates of return were:

	Long term rate of return expected at 31 July 2006	Value at 31 July 2006 £000	Long term rate of return expected at 31 July 2005	Value at 31 July 2005 £000	Long term rate of return expected at 31 July 2004	Value at 31 July 2004 £000
Equities	7.7%	11,274	7.3%	10,370	7.9%	7,313
Bonds	4.7%	848	4.7%	807	5.4%	741
Property	5.7%	1,574	5.4%	1,268	6.7%	925
Cash	4.8%	458	4.5%	356	4.5%	1,287
Total market value of assets		14,154		12,801		10,266

The College's net pension assets within the scheme were:	31 July 2006 £000	31 July 2005 £000	31 July 2004 £000
Estimated employer assets (A)	14,154	12,801	10,266
Present value of scheme liabilities	17,498	16,165	13,103
Present value of unfunded liabilities	261	236	244
Total value of liabilities (B)	17,759	16,401	13,347
Net pension liability (A-B)	(3,605)	(3,600)	(3,081)

The College has been required to increase its level of employers' contribution to the LGPS scheme to make good its share of the actuarial deficiency relating to current and former employees. The difference in the regular pension cost for current employees is considered immaterial and the additional contributions treated as part of the regular pension cost. During the financial year the level of contribution to the scheme for current employees was £513,000 (£484,000 - 2005) and for former employees is was £16,000 (£15,000 - 2005). The pension provision has been used to offset the cost of these contributions on behalf of former employees, contributions on behalf of current employees are charged to the income and expenditure account.

The College also makes pension payments to former employees who have taken early retirement.

Notes to the Accounts (continued)

for the year ended 31 July 2006

28 Pension and Similar Obligations (cont'd)	2006	2006	2005	2005	2004	2004
		£000		£000		£000
Movement in deficit during the year						
Deficit at beginning of the year		(3,600)		(3,081)		(3,292)
Current Service Cost		(583)		(507)		(438)
Employer Contributions		514		529		431
Contributions in respect of unfunded benefits		16		16		17
Net return on assets		29		(34)		(7)
Actuarial gains/(losses)		19		(523)		208
		<u>(3,605)</u>		<u>(3,600)</u>		<u>(3,081)</u>
Deficit in scheme at end of year						
Analysis of net return on pension scheme						
Expected return on pension scheme assets	30.9%	835	25.6%	747	27.1%	684
Interest on pension liabilities	(29.9%)	(806)	(26.8%)	(781)	(27.4%)	(691)
		<u>29</u>		<u>(34)</u>		<u>(7)</u>
Net return	1.1%	29	(1.2%)	(34)	(0.3%)	(7)
Actuarial gain/(loss) in statement of total recognised gains and losses						
Actual return less expected return on assets		983		1,497		246
Experience gains and losses on liabilities		(347)		7		(22)
Changes in assumptions		(617)		(2,027)		(16)
		<u>19</u>		<u>(523)</u>		<u>208</u>
Actuarial gain/(loss) recognised in the statement of total recognised gains and losses		19		(523)		208
History of experienced gains and losses						
Difference between expected and actual return on scheme assets		983		1,497		246
Value of assets		14,154		12,081		10,266
Percentage of assets		6.9%		12.4%		2.4%
Experience gains and losses on scheme liabilities		(347)		7		(22)
Total present value of liabilities		17,759		16,401		13,347
Percentage of the total present value of liabilities		(2.0%)		0.0%		(0.2%)
Actuarial gains/(losses) recognised in STRGL		19		(523)		208
Total present value of liabilities		17,759		16,401		13,347
Percentage of the total present value of liabilities		0.1%		(3.2%)		1.6%

29 Post Balance Sheet Events

Since the end of the financial year to 31 July 2006 there have been no significant post balance sheet events which would lead to adjustment or require further disclosure within these accounts.

30 Contingent Liabilities

Based on the facts known at this time, the College's solicitors have advised that any potential liability arising from any outstanding legal claim would not be considered material in overall financial terms.

31 Related Party Transactions

Due to the nature of the College's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procedures. Transactions totalling £64,000, relating to consultancy work, took place with Quayle Munro Limited, a company in which Mr J.C. Elliot is a director. There were no amounts outstanding.

32 HE Bursaries and other student support funds

	2006	2006	2006	2005
	HE Childcare	HE Hardship	Total	Total
	£000	£000	£000	£000
Balance B/F	0	0	0	0
Allocation received in year	18	63	81	73
Disbursed to students	(29)	(52)	(81)	(74)
Institution contribution to funds	0	0	0	1
Virements	12	(12)	0	0
Balance C/F	1	(1)	0	0

The above Funding Council Grants are available solely for students; the College acts only as a paying agent. These grants and related disbursements are therefore excluded from the College Income & Expenditure Account.

Board of Governors 2005/2006

2005/06 Membership of Board of Governors

Chairman

Mr. Donald Workman, MA(Oxon)

Governors, ex officio

Professor Ian G. Howard, MA, RSA,
Principal
(Convener, Health & Safety Sub-Committee)

Professor Brent D. MacGregor, BA, MA, DPhil
Vice-Principal

Ms Sarah Beattie-Smith, President S.R.C.

Appointed Members

Mr. James A. Clark, CA

Mr. J.C. Elliot, MA, MBA

Lady Mathewson, DA(Edin)
(Convener, Awards & Bequests Sub-Committee)

Ms Shonaig Macpherson, CBE, FRSE
(Convener, Audit Committee)

Mr. Donald MacDonald, CBE, MA, LLB, CA

Professor Ian F.Y. Marrian, MA, CA
(Convener Finance Sub-Committee)

Mr. Robert B. Robertson, BSc, MSc, ARICS

Mr. Erick Davidson

Professor Stephen Blackmore, FRSE

Miss Alison Watt, DA(Glas)

Co-opted Members

Professor Angus J. Macdonald, BSc, PhD

Professor D.G. Owen MA, PhD, CEng, FICE, FSUT

Mr. Alastair Mackenzie, CBE, RIBA, MRTPI
(Convener, Estates Sub-Committee)

Elected Members

Mrs Birgitta MacDonald, DA(Edin)
Academic Council

Professor L Mitchell Dip Des (L'Pool) FRSA, MSCD, MBID
MCSD,ILTM
Academic Staff Governor

Mr. Neil Kempself (to 31 December 2005)

Ms. C Nelson (from 1 January 2006)

Non-Academic Staff Governor

Secretary to the Board

Mr. Michael W. Wood, BA, MBA

Advisers

Auditors

Ernst & Young LLP,
Chartered Accountants,
10 George Street,
Edinburgh, EH2 2DZ

Bankers

The Bank of Scotland
38 St Andrew Square
Edinburgh
EH2 2YR

Solicitors

Anderson Strathern, LLP
1 Rutland Court
Edinburgh, EH3 8EY

Morton Fraser, LLP
30/31 Queen Street,
Edinburgh, EH2 1JX

Investment Managers

Baillie Gifford & Co.
Calton Square
1 Greenside Row
Edinburgh, EH1 3AN

Note: as at 31 July 2005, one Governor was over the age of 65.

Constitution & Terms of Reference of Principal Board Committees

POLICY AND RESOURCES COMMITTEE

Summary Terms of Reference:

The Policy and Resources Committee, through the Strategic Plan, the Operational Plan, the Estates Strategy and otherwise, considers strategic policy for the academic and general development of the College and its financial management within the context of:

- (a) Funding, policy direction and guidance from SFC and the Scottish Executive;
- (b) Entrepreneurial activity relating to sponsorship, fund-raising and marketing;
- (c) Advice to the Governing Body in establishing and reviewing the broad direction of College developments through its Vision and Mission Statements.

Sub-Committees: Finance; Estates; Health and Safety

Membership:

Mr. Donald Workman (Convener)
Mr. J.C. Elliot
Mr. Alastair Mackenzie
Professor Ian Marrian
Professor Ian G. Howard (Principal)
Professor Brent MacGregor (Vice-Principal)

FINANCE SUB-COMMITTEE

Summary Terms of Reference :

The Finance Sub-Committee shall maintain and review the financial management and operational systems of the College.

Membership:

Professor Ian F.Y. Marrian (Convener)
Mr. J.C. Elliot
Mr. Donald Workman
Mr. Donald MacDonald
Professor Ian G. Howard, Principal

Constitution & Terms of Reference of Principal Board Committees

AWARDS AND BEQUESTS SUB-COMMITTEE

Summary Terms of Reference:

The Awards and Bequests Sub-Committee (a Sub-Committee of the Finance Sub-Committee) is responsible for the administration of the Andrew Grant Bequest under the terms of the Bequest, Act, Orders and College Regulations relating thereto. The Sub-Committee also administers other bequest funds and prize money.

Membership:

Lady Mathewson, (Convener)
Professor A.J. Macdonald
Professor L Mitchell
Mr. Robert B. Robertson
Mrs Birgitta MacDonald
Mr Alastair Mackenzie

ESTATES SUB-COMMITTEE

Summary Terms of Reference:

The Estates Sub-Committee (a Sub-Committee of the Policy and Resources Committee) shall monitor the management of building works in the College, approve the overall annual programmes for capital and non-capital building works, and recommend a long term estate management strategy to the Policy and Resources Committee

Membership:

Mr. Alastair Mackenzie, (Convener)
Mr. Robert B. Robertson
Mr. Graham Duncan (co-opted)
Professor Ian G. Howard, Principal

Constitution & Terms of Reference of Principal Board Committees

HEALTH AND SAFETY SUB-COMMITTEE

Summary Terms of Reference:

The Health and Safety Sub-Committee (a sub-committee of the Policy and Resources Committee) shall be responsible for the general supervision of safety arrangements within the College, for advising Heads of Schools and Departments of legal requirements and responsibilities and for proposing College policy on safety. The Sub-Committee presents an Annual Report on Health and Safety matters to the Board.

Membership:

Professor Ian G. Howard, Principal (Convener)
Mr. Neil Kempself (to 31 December 2005)
Ms Colette Nelson (from 1 January 2006)
President, S.R.C.

AUDIT COMMITTEE

Summary Terms of Reference:

The Audit Committee provides advice to the Board of Governors, to the Finance Sub-Committee, to College Management and to the Scottish Funding Council's Governance, Management, Appraisal Policy (GMAP) Department on the effectiveness of internal control and management systems of the College and on the appointment of internal and external auditors. The Committee is authorised by the Board of Governors to investigate any activity within its terms of reference.

Membership:

Ms Shonaig Macpherson (Convener)
Professor D. Gareth Owen
Professor Stephen Blackmore
Mr. James A. Clark
Mr. Robert B. Robertson

Constitution & Terms of Reference of Principal Board Committees

CHAIRMAN'S COMMITTEE

Summary Terms of Reference:

The Chairman's Committee examines recommendations of Committees of the Board of Governors and of Academic Council prior to their consideration by the Board of Governors and briefs the Chairman on matters to be considered by the Board. The Committee also acts as Remuneration and Nominations Committees (see separate entries).

The Committee acts with all the powers of the Board during vacation and emergency periods excluding specific financial, staffing and constitutional matters (see detailed terms of reference).

Membership:

Mr. Donald Workman (Chairman/Convener)
Professor Ian F.H. Marrian
Mr. James A. Clark
Professor Ian G. Howard, Principal

CHAIRMAN'S COMMITTEE ACTING AS REMUNERATION COMMITTEE

Summary Terms of Reference

The Chairman's Committee acts as a Remuneration Committee in relation to the salaries and other remuneration of the Principal and senior central management of the College and to consider any other matter relating to remuneration referred to it by the Board of Governors, including applications for premature retirement with enhancement of pension and the terms of any severance agreements.

Membership:

Mr. Donald Workman (Chairman/Convener)
Professor Ian F.Y. Marrian
Mr. J.C. Elliot
Professor Ian G. Howard, Principal

CHAIRMAN'S COMMITTEE ACTING AS NOMINATIONS COMMITTEE:

Summary Terms of Reference:

The Chairman's Committee acts as a Nominations Committee in relation to the identification and selection of new independent lay members to the Board of Governors and to make recommendations to the Board in this regard. To consider lay Governor nominations for re-election to the Board and to make recommendations to the Board in this regard.

Membership:

Mr. Donald Workman (Chairman, Convener)
Lady Mathewson
Mr. J.C. Elliot
Mr Robert Robertson
Professor Ian G. Howard, Principal