

Edinburgh College of Art
Andrew Grant Scholarship Fund
Trustees' Report and Financial Statements
Year ended 31 July 2010
Registered Charity Number SC001097

Contents	Page
Reference and administrative information	1
Trustees' report	2
Statement of trustees' responsibilities in respect of the trustees' report and the financial statements	6
Independent Auditors' Report	7
Statement of financial activities	9
Balance sheet	10
Notes to the financial statements	11

Reference and administrative information

Charity name:	Edinburgh College of Art - Andrew Grant Scholarship
Charity number:	SC001097
Trustees:	Mr. Donald Workman Professor Ian G. Howard Professor Brent D. MacGregor (retired February 2010) Dr PWA West (appointed 1/10/10) Professor Stephen Blackmore (resigned November 2010) Ms Jessie Buchanan, Professor Richard Coyne Mr. Donald MacDonald Mr. Alastair Mackenzie (resigned December 2010) Ms Shonaig Macpherson Professor Ian F.Y. Marrian Lady Mathewson (resigned December 2010) Professor D.G. Owen (retired December 2010) Mr. Robert B. Robertson (resigned December 2010) Professor Karen Forbes (retired December 2010) Professor Noemie Mendelle (appointed January 2010) Ms. Geraldine Prince (retired January 2011) Ms. Sylvia Nicholson Ms. Ginnie Atkinson
Principal office:	74 Lauriston Place, Edinburgh, EH3 9DF
Bankers:	Bank of Scotland, 3 Earl Grey Street, Edinburgh, EH3 9BN
Solicitors:	Anderson Strathern, LLP, 1 Rutland Court, Edinburgh, EH3 8EY Morton Fraser, LLP, 30/31 Queen Street, Edinburgh, EH2 1JX
Auditors:	KPMG LLP, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG
Investment advisors:	Baillie Gifford Investment Managers Limited, Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN

Trustees' report

The Trustees present their annual report and audited financial statements for the year ended 31 July 2010. Reference and administrative information is shown on page one. The financial statements have been prepared in accordance with the accounting policies set out in note 1 and comply with the Edinburgh College of Art (Scotland) Order of Council 1995, the Charities and Trustee Investment (Scotland) Act 2005, regulation 8 of the Charities Accounts (Scotland) Regulations 2006 and the Statement of Recommended Practice: Accounting and Reporting by Charities published in 2005.

Structure, governance and management

Edinburgh College of Art has held a variety of bequests and endowments. The Andrew Grant Scholarship was created and directed by a codicil dated 12 September 1911 to a trust disposition and settlement dated 24 October 1894, of the late Andrew Grant. It was subsequently held and administered by the Board of Governors of Edinburgh College of Art in accordance with the provisions of The Edinburgh College of Art (Scotland) Order of Council 1995. In addition Edinburgh College of Art held a Prize Fund, which comprised smaller donations and bequests from a variety of donors. The Andrew Grant Scholarship and the Prize Fund were subsequently combined into one charity: Edinburgh College of Art - Andrew Grant Scholarship Fund ("the Fund"). The Fund does not actively fundraise and seeks to continue the charitable work desired by the donors through the careful stewardship of its existing resources

The Board of Governors of Edinburgh College of Art are also the Trustees of the Fund. The composition of the Trustees comprises lay and academic persons appointed under Edinburgh College of Art (Scotland) Order of Council 1955. The composition of the Board of Trustees ("the Board") of the Fund comprises the following:

- no more than 13 and no less than 9 Trustees;
- the Principal of Edinburgh College of Art;
- the Vice-Principal of Edinburgh College of Art;
- the president of the Students' Representative Council of Edinburgh College of Art;
- three staff representatives - one appointed by the Academic Council of Edinburgh College of Art, one elected by the full-time academic staff of the Edinburgh College of Art ; and one who shall be elected by the full-time non-academic staff of the Edinburgh College of Art; and
- no more than 6 and no less than 2 co-opted at least one person having experience of local government and at least one person from the full-time academic staff of another establishment of further or higher education.

In line with statutory requirements the Board appoints a Chairman from amongst the Trustees. A person shall not be appointed or co-opted to the Board where their term of office, if aggregated with any previous terms of office, would result in serving for more than 12 years as a Trustee.

The Trustees delegate certain duties, responsibilities and powers to the Awards & Bequests Sub-Committee which reports to the Finance Sub-Committee of Edinburgh College of Art. The Awards & Bequests Sub-Committee is responsible for the administration of the Andrew Grant Scholarship Fund. Further delegations to the College Secretary were made by the Award & Bequests Sub-Committee and, following his resignation, to the Chief Operating Officer.

The Trustees are further assisted by the Finance Sub-Committee in approving the annual budget of the Fund and regularly receiving reports on the financial performance of the Fund, as advised by the investment managers. The day to day administration of grants and the processing and handling of applications is delegated to the Principal who has delegated this to the College Secretary, and subsequently, to the Chief Operating Officer.

The Awards and Bequests Sub-Committee meet at least twice a year to consider the broad strategy and areas of activity for the Fund, review the applications received based on their consideration of the application and whether it fits with their grants policy and grants awarded.

Membership of this Sub-Committee in 2009-10 comprised:

Lady Mathewson (Convener); Professor Richard Coyne; Professor Karen Forbes; Mr Alastair Mackenzie; Ms Geraldine Prince; and Mr Robert B Robertson.

Trustees' report *(continued)*

Structure, governance and management *(continued)*

No new Trustees have been appointed during the year therefore no induction training has been necessary. Ongoing training of Trustees is done on an informal basis throughout the year. The induction process for newly-appointed Trustees would be conducted on an individual basis, with meetings with the Chairman of the Trustees, the Principal of Edinburgh College of Art, and the Chief Operating Officer. A Governors/Trustees' Handbook, which includes the College's Order in Council and Regulations governing the Fund amongst other governance documents, is given to all new Trustees.

All Trustees give of their time freely and no Trustee remuneration was paid in the year. Trustees are required to disclose all relevant interests and register them with the Principal of Edinburgh College of Art and, in accordance with Edinburgh College of Art procedures, withdraw from decisions should a conflict of interest arise.

Risk assessment

The Trustees have considered the major risks to which the charity is exposed and has reviewed those risks and, during 2009-10, introduced improvements to systems and procedures to manage those risks. The Trustees considers variability of investment returns on the permanent endowment to constitute the charity's major risk. The Trustees considers that placing investment decisions in the hands of investment managers will facilitate maximisation of investment returns and scholarships awarded.

The key elements of the Fund's system of internal financial control, which is designed to discharge the responsibilities of the Board, include:

- comprehensive financial regulations, detailing financial controls and procedures, approved by the Audit Committee and the Board; and
- 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.

The Trustees have considered during the year the risks which the Fund faces, in particular those related to the financial and investment operations of the Fund, and are satisfied that improvements to the systems in place minimise these risks.

Disclosure of information to auditors

The Trustees who held office at the date of approval of this Trustees' report confirm that, so far as they each are aware, there is no relevant audit information of which the trust's auditors are unaware; and each Trustee has taken all the steps that they ought to have taken as a Trustee to make themselves aware of any relevant audit information and to establish that the Fund's auditors are aware of that information.

Objectives, activities and achievements

The Fund's objective is the advancement of education of existing and previous students of the Edinburgh College of Art. These objectives are met through a variety of routes, primarily the provision of scholarships and travel awards, in line with the terms of the original benefaction from Andrew Grant. Prizes and Scholarships provided by benefactors other than Andrew Grant are awarded in line with relevant benefactors wishes, as far as these are known by the Trustees.

These objectives are achieved through the consideration of all grant applications received by the Fund at the periodic meetings of the trustees. The grants are funded from the investment returns of the Fund's investment portfolio.

As it is a particular condition of the Andrew Grant Bequest that only students of merit should receive awards, each year Heads of School nominate students of the highest academic merit against the various categories of award. All awards are made at the discretion of the Trustees after careful consideration of eligible nominations including consideration of the student work presented at the annual Degree show in June each academic year.

15 Scholarships, and 107 prizes and 251 awards were made to students, ranging from £75 to £5,000.

Trustees' report *(continued)*

Grant making policy

The Fund was founded to support students at Edinburgh College of Art in any way deemed suitable by the Trustees and predominantly by means of scholarships and travel bursaries awarded to students of particular merit. The main policy governing the operation of the Fund relates to the requirements of the Andrew Grant Scholarship bequest and the variety of requirements of the various other benefactors. Details of each are provided below.

The original Andrew Grant bequest is subject to Regulations (as affirmed on 6 July 1981 by the Board of the Edinburgh College of Art as Trustees for the Andrew Grant Scholarship in terms of Section 29 of the Edinburgh College of Art Order of Council (Scotland) 1995). The purpose of the Regulations is to administer the provision of scholarships or bursaries to deserving students or former students of Edinburgh College of Art by the way of travelling scholarships or otherwise, in terms of the original bequest. The details of the original bequest are summarised below.

After paying all expenses of management properly chargeable against the income of the bequest and any taxes or other burdens affecting the bequest the Trustees:

- (a) will apply not less than four-fifths of the free income of the bequest in each year in providing scholarships or bursaries to deserving students of either sex of Edinburgh College of Art either during their course or in the way of travelling scholarships or otherwise after their course is finished, and
- (b) may apply so much of the remainder of the free annual income of the bequest in each year as is not applied in providing scholarships or bursaries as aforesaid:
 - (i) in defraying or assisting to defray the expenses of organised educational excursions for the benefit of students of Edinburgh College of Art including attendance at exhibitions of works of art or the expenses of arranging for exhibitions of works of art to be held at Edinburgh College of Art;
 - (ii) in providing or assisting in providing equipment and facilities for special study at Edinburgh College of Art;
 - (iii) in assisting the provision and development of sports activities at or in connection with Edinburgh College of Art; and
 - (iv) in assisting in the formation, maintenance and encouragement of clubs, societies and other organisations conducted for the benefit of students of Edinburgh College of Art.

In the event of there being any balance of income of the bequest at the end of any financial year of Edinburgh College of Art, such balance may at the discretion of the Board be carried forward and added to or accumulated with the income of the next financial year or years or may be added to the capital of the bequest or may be applied partly in one and partly in the other of such ways. As noted before, the Fund also comprises a number of other awards and bequests of various sizes. The most significant are the John L Paterson Design Award, Helen A Rose Bequest, T Bowhill-Gibson Bequest and the John Florent Stone Bequest. The details governing each award are held within Edinburgh College of Art. Compliance with the donors wishes is checked when awards are made.

Financial review

The result for the year is set out in the statement of financial activities on page 10. As in previous years, a forecast of income to the Fund is made and awards made up to that limit. The Fund's income from investments in the year totalled £128,468 (2009: £122,268). The year end market value of the Trust's investments increased by £281,684 representing an 8% increase over the previous year end.

The principal funding source is the yield produced by the investment as managed by Baillie Gifford Investment Managers Limited. The major element of income is generated from the original Andrew Grant bequest.

Investment policy and performance

The investment strategy pursued by the Fund is to balance income and capital growth. This policy is to enable the Fund to cover all expected grants payable within the period while limiting the risk of financial exposure.

Trustees' report *(continued)*

Investment policy and performance *(continued)*

Specifically the Fund aims to generate £150,000 per annum, in total. The Fund's Investments are managed by Baillie Gifford Investment Managers Limited in a discrete fund which is required to produce a yield sufficient to fund prizes and awards. The performance of these funds is closely and regularly monitored by the Trustees, ensuring both an adequate return and capital appreciation against appropriate benchmarks. In the year to 31 July 2010, the interest received totalled £128,468 (2009: £122,268).

Following the provision of a loan from the Fund to Edinburgh College of Art in 2007-08, Edinburgh College of Art has agreed to provide a donation to ensure that the level of grants awarded to ECA students will be maintained at £150,000 per annum, until such time as a loan from the Fund is re-paid. £78,000 was provided in 2009-10 to ensure the sufficiency of funds to allow awards of £150,000 at least, per annum.

Reserves policy

The trustees aim to generate at least £150,000 of income per annum to be disbursed as prizes and awards to deserving students of Edinburgh College of Art.

All endowments held by the Fund are permanent endowments; the capital must be maintained and only the income received from investing the capital sums may be distributed each year. The £1.5 million loan to Edinburgh College of Art reduces capital funds available for investment. The Trustees believe this debt to be fully recoverable from the College, in line with the loan agreement. The consequent shortfall in investment income is met by Edinburgh College of Art by way of an annual donation to the Fund. The Trustees' policy is not to accumulate unspent income; the level of restricted reserves fluctuates only to the extent that the value of investments appreciates or depreciates in the year.

In 2009-10, investment income stood at £128,468 (2009: £122,268) and covered 52% of total resources expended (2009: 100%).

Plans for future periods

The Andrew Grant Scholarship Fund is a lasting testimony to the generosity of donors wishing to contribute to the support of students studying at Edinburgh College of Art. The ongoing aim and objective of the Fund is to ensure sufficient interest is generated from the Fund to support scholarships and awards in accordance with the directions of the respective testators and donors.

Edinburgh College of Art is currently in discussion with the University of Edinburgh in relation to a proposal to merge with the University and Ministerial approval was received on 24 January 2011. Edinburgh College of Art is now implementing integration plans for the merger so that it is effective from 1 August 2011.

On behalf of the Trustees

21 March 2011

Statement of Trustees' responsibilities in respect of the Trustees' Report and the financial statements

Under charity law, the trustees are responsible for preparing the Trustees' Report and the financial statements for each financial year which show a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the recommendations of the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- state whether the financial statements comply with the Edinburgh College of Art (Scotland) Order of Council 1995, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue its activities.

The trustees are required to act in accordance with the Edinburgh College of Art (Scotland) Order of Council 1995, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time and to enable the trustees to ensure that, where any statements of accounts are prepared by them under Section 44 of the Charities and Trustees Investment (Scotland) Act 2005, regulation 8 of the Charities Accounts (Scotland) Regulations 2006 and the Edinburgh College of Art (Scotland) Order of Council 1995, those statements of accounts comply with the requirements of regulation under that provision. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

Independent auditors' report trustees of Edinburgh College of Art - Andrew Grant Scholarship Fund

We have audited the financial statements of Edinburgh College of Art – Andrew Grant Scholarship Fund for the year ended 31 July 2010 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charity's trustees as a body, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

The trustees' responsibilities for the preparation of the Trustees' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities on page seven.

We have been appointed as auditor under section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report to you in accordance with the regulations made under that Act. 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 prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005, regulation 8 of the Charities Accounts (Scotland) Regulations 2006 and Edinburgh College of Art (Scotland) Order of Council 1995. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the charity has not kept proper accounting records, if the charity's statements of account are not in agreement with those accounting records or if we have not received all the information and explanations we require for our audit.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. 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 judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity'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 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.

Independent auditors' report trustees of Edinburgh College of Art - Andrew Grant Scholarship Fund *(continued)*

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the charity's affairs as at 31 July 2010 and of its incoming resources and application of resources for the year then ended; and
- have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005, regulation 8 of the Charities Accounts (Scotland) Regulations 2006 and the Edinburgh College of Art (Scotland) Order of Council 1995.

S Reid

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Saltire Court
20 Castle Terrace
EH1 2EG

21 March 2011

Statement of Financial Activities

for the year ending 31 July 2010

	Note	Unrestricted funds 2009-10 £	Restricted funds 2009-10 £	Endowment funds 2009-10 £	Total funds 2009-10 £	Total funds 2008-09 £
Incoming resources						
<i>Incoming resources from generated funds:</i>						
Voluntary income	2	97,500	-	-	97,500	-
Investment income	2	-	-	128,468	128,468	122,268
<i>Other incoming resources</i>		-	-	30,000	30,000	-
Total incoming resources		97,500	-	158,468	255,968	122,268
Resources expended						
<i>Costs of generating funds:</i>						
Investment management costs		-	-	9,825	9,825	8,494
<i>Charitable activities:</i>						
Grants awarded	3	202,186	26,375	-	228,561	113,774
<i>Governance costs</i>	5	17,582	-	-	17,582	-
Total resources expended		219,768	26,375	9,825	255,968	122,268
Net incoming / (outgoing) resources before transfers		(122,268)	(26,375)	148,643	-	-
Transfers						
Gross transfers between funds		122,268	26,375	(148,643)	-	-
Net (outgoing) / incoming resource before other recognised gains and losses		-	-	-	-	-
<i>Other recognised gains and losses:</i>						
Unrealised gains / (losses) on investment assets		-	-	281,695	281,695	(184,608)
Net movement in funds		-	-	281,695	281,695	(184,608)
<i>Reconciliation of funds:</i>						
Total funds brought forward		-	-	3,383,793	3,383,793	3,383,793
Total funds carried forward		-	-	3,665,488	3,665,488	3,383,793

All of the charities activities are continuing

Balance Sheet

as at 31 July 2010

	Note	Total funds 2009-10 £	Total funds 2008-09 £
<i>Fixed assets:</i>			
Investments	6	2,165,488	1,883,793
		<hr/>	<hr/>
Total fixed assets		2,165,488	1,883,793
Long term debtor	7	1,500,000	1,500,000
<i>Current assets:</i>			
Debtors		51,205	-
<i>Current liabilities</i>			
Accruals		(51,205)	-
		<hr/>	<hr/>
<i>Net current assets</i>		-	-
		<hr/>	<hr/>
Net assets		3,665,488	3,383,793
		<hr/> <hr/>	<hr/> <hr/>
<i>The funds of the charity:</i>			
Endowment funds	8	3,665,488	3,383,793
		<hr/>	<hr/>
Total charity funds		3,665,488	3,383,793
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 11 to 15 form part of these financial statements.

These financial statements were approved by the trustees on 21 March 2011 and were signed on their behalf by:

Trustee

Notes

1 Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

a) Basis of preparation

The financial statements have been prepared on an accruals basis and under the historic cost convention, with the exception that investment assets are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (SORP 2005) issued in March 2005 and applicable United Kingdom accounting standards.

Under Financial Reporting Standard 1 the charity is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the charity in its own published consolidated financial statements. As the results of the charity are included in the consolidated financial statements of the Edinburgh College of Art, it has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Edinburgh College of Art, within which the charity is included, can be obtained from the address given in note 10.

b) Funds

The Fund consists of a permanent endowment, namely the Andrew Grant Scholarship, together with various smaller permanent endowments, the income from which is restricted to providing awards to students studying at Edinburgh College of Art. The funds are invested in such a way that the Trustees can distribute the interest received, by way of provision of scholarships or bursaries, to students. All endowment funds are permanent and the capital must be maintained.

Unrestricted funds – Andrew Grant Scholarship

The Board of Trustees, after paying all expenses of management properly chargeable against the income of the bequest and any taxes or other burdens affecting the bequest; applies not less than four-fifths of the free income of the bequest in each year in providing scholarships or bursaries to deserving students of either sex of Edinburgh College of Art either during their course or in the way of travelling scholarships or otherwise after their course is finished.

The Board may also apply so much of the remainder of the free annual income of the bequest in each year to assist the expenses of organised educational excursions, providing equipment and facilities for special study and/or sports activities, and in the encouragement of clubs, societies and other organisations within Edinburgh College of Art.

Restricted funds – other bequests

Endowment funds from sources other than Andrew Grant are restricted for the purposes intended by the donor.

c) Incoming Resources

All incoming resources are included in the statement of financial activities when the Fund is entitled to the income and the amount can be quantified with reasonable accuracy. The following policies are applied to particular categories of income.

Incoming resources from generated funds

Donations

Donations receivable for general purposes are credited to unrestricted funds. Restricted donations are accounted for as restricted funds and matched against the related expenditure.

Voluntary income

The Fund may receive donations, legacies, annuities, subscriptions or other gifts for Edinburgh College of Art. These shall be applied in accordance with the directions of the specific testators or donors.

Notes (continued)

c) Incoming Resources (continued)

Gifts in kind

Where services that would normally be purchased from the Fund's suppliers are provided as a donation, this contribution is included in the financial statements at an estimate based on the value of the contribution to the Fund.

Investment income

Endowment interest receivable is credited to income in the period to which it relates.

d) Resources Expended

All expenditure is included on an accruals basis. Expenditure includes any irrecoverable VAT.

Costs of generating funds	represent costs of investment management costs
Charitable activities	represent direct costs of student awards, and the notional costs incurred by staff to support these programmes
Governance costs	represent costs incurred in connection with the general running of the charity as opposed to the management and administration of its activities. They include costs relating to statutory requirements.

Resources expended in the statement of financial activities include support costs of running the Fund. These are charged as charitable expenditure or governance costs as appropriate, being expenses incurred in the ordinary operations of the Fund.

Support costs are allocated to the categories of charitable activities on a pro-rata basis if it is not possible to allocate the costs on a specific basis.

e) Fixed Assets Investments

Investments are stated at market value as at the balance sheet date. The statement of financial activities includes the net gain and losses arising on revaluation and disposals throughout the year.

f) Gains and losses

All gains and losses are taken to the statement of financial activities as they arise. Unrealised gains and losses on investments are calculated as the difference between sales proceeds and opening market value (purchase date if later).

g) Contingent Liabilities and Provisions

In accordance with the SORP, a contingent liability would be disclosed for activities, which do not represent liabilities, where the possible obligation which arises from past events, will only be confirmed by the occurrence of one or more uncertain events not wholly within the Trustees' control. Provisions would be recognised for activities where there is uncertainty as to the timing or amount, and any uncertainty regarding the amount is more than one of determining a basis for reasonable estimation of the liability arising from that constructive obligation.

h) Taxation

The Fund has no liability to tax as the Fund is exempt from income tax and charitable gains tax. There is no similar exemption for VAT; non-reclaimable VAT is charged to the statement of financial activities on an accruals basis.

Notes (continued)

2 Incoming resources from generated funds

	2010 £	2009 £
<i>Voluntary income</i>		
Donations	1,745	-
Gifts in kind	95,755	-
	<hr/>	<hr/>
	97,500	-
<i>Investment income</i>		
Dividends received	10,294	11,046
Fixed interest securities	118,174	111,222
	<hr/>	<hr/>
	128,468	122,268
	<hr/>	<hr/>
	225,968	122,268
	<hr/> <hr/>	<hr/> <hr/>

3 Charitable activities

	Direct costs £	Support Costs (See note 4) £	Total 2010 £	2009 £
Organised travel	12,121	61	12,182	26,412
Scholarships and prizes	215,298	1,081	216,379	87,362
	<hr/>	<hr/>	<hr/>	<hr/>
	227,419	1,142	228,561	113,774
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Support costs are allocated to the categories of charitable activities on a pro-rata basis as it is not possible to allocate the costs on a specific basis.

4 Support costs

	2010 £	2009 £
Service delivery	942	-
Bank costs	200	-
	<hr/>	<hr/>
	1,142	-
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

5 Governance costs

	2010 £	2009 £
Auditor's remuneration in respect of the statutory financial statements	14,500	-
Other expenses	3,082	-
	17,582	-
	17,582	-

The Fund has no employees and Trustees received no emoluments or expenses during the year (2009: nil).

6 Investments

	UK £	Overseas £	Total 2010 £	2009 £
<i>Movements in fixed asset investments</i>				
Market value brought forward	1,799,280	84,513	1,883,793	2,068,401
Additions to investments at cost	-	-	-	-
Disposals at carrying value	-	-	-	-
Add net gain on revaluation	264,847	16,848	281,695	(184,608)
	2,064,127	101,361	2,165,488	1,883,793
	2,064,127	101,361	2,165,488	1,883,793
<i>Investments at market value</i>				
Equities	308,722	101,361	410,083	335,542
Fixed interest securities	1,749,686	-	1,749,686	1,541,390
Cash	5,719	-	5,719	6,862
	2,064,127	101,361	2,165,488	1,883,793
	2,064,127	101,361	2,165,488	1,883,793

The Trustees consider that there were three material investment holdings at the year end:

- Baillie Gifford British 350 Fund: £308,722;
- Baillie Gifford Corporate Bond Fund: £1,231,258; and
- Baillie Gifford Gilt Fund: £518,428.

All investments are held for investment purposes and are direct investments in listed securities.

7 Long term debtor

The loan was provided to the parent Edinburgh College of Art at a commercial rate of interest. An agreement is in place for the repayment of this loan within five years commencing in 2010-11.

Notes *(continued)*

8 Endowment and restricted funds

	Balance 31 March 2009 £	Incoming resources £	Resources expended £	Transfers between funds £	Unrealised gains and losses £	Balance 31 March 2010 £
Endowment funds	3,383,793	158,468	(9,825)	(148,643)	281,695	3,665,488
Restricted funds	-	-	(26,375)	26,375	-	-
Unrestricted funds	-	97,500	(219,768)	122,268	-	-
Total funds	3,383,793	255,968	(255,968)	-	281,695	3,665,488

9 Analysis of funds

	Unrestricted fund £	Restricted Fund £	Endowment fund £	Total 2010 £	Total 2009 £
Investments	-	-	2,165,488	2,165,488	1,883,793
Long term debtors	-	-	1,500,000	1,500,000	1,500,000
Current assets	-	-	51,205	51,205	-
Current liabilities	-	-	(51,205)	(51,205)	-
Total funds	-	-	3,665,488	3,665,488	3,383,793

10 Ultimate parent undertaking

The fund's immediate and ultimate parent undertaking at 31 July 2010 is Edinburgh College of Art, a higher education institution with its principal place of business at 74 Lauriston Place, Edinburgh, Scotland. Copies of the group financial statements are available from Edinburgh College of Art, 74 Lauriston Place, Edinburgh, EH3 9DF.