

Edinburgh College of Art
Andrew Grant Scholarship Fund
Trustee's Report and Financial Statements
Year ended 31 July 2011
Registered Charity Number SC001097

Contents	Page
Reference and administrative information	1
Trustee's report	3
Statement of the trustee's responsibilities in respect of the trustee's report and the financial statements	8
Independent Auditor's Report	9
Statement of financial activities	11
Balance sheet	12
Notes to the financial statements	13

Reference and administrative information

Charity name: Edinburgh College of Art - Andrew Grant Scholarship Fund

Charity number: SC001097

Trustees for year
ended 31 July 2011:

Mr D Workman
Professor Ian G. Howard
Professor R Coyne
Mr D MacDonald
Ms S Macpherson
Professor C Hawley
Ms G Atkinson
Professor I F Y Marrian
Ms S Nicholson
Dr P W A West (appointed October 2010)
Professor N Mendelle
Dr J MacDonald, (appointed March 2011)
Ms F Miller (retired June 2011)
Professor S Blackmore (resigned November 2010)
Mr A Mackenzie (resigned December 2010)
Lady Mathewson (resigned December 2010)
Professor D.G. Owen (retired December 2010)
Mr R B Robertson (resigned December 2010)
Ms G Prince (retired January 2011)
Ms L Watt, (appointed January 2011)
Ms J Cunliffe (appointed January 2011)
Mr E Frizzell, (appointed January 2011)
Ms A Barr (appointed July 2011)

From 1 August 2011, the University Court of the University of Edinburgh is the single corporate trustee (“the Trustee”) of the Andrew Grant Scholarship Fund. This Fund holds the Andrew Grant Bequest, Edinburgh College of Art Prize Fund and other endowments donated to Edinburgh College of Art. Members of the University Court of the University of Edinburgh at the date of signing the accounts are given below:

Mr I Macwhirter
Professor Sir Timothy O’Shea
Sheriff Principal EF Bowen QC
Mr A Johnston
Professor A Smyth
Mrs M Tait
Professor D J Finnegan
Dr M Aliotta
Professor J Ansell
Professor A Harmar
Rt Hon G Grubb
Professor S Monro
Professor J Barbour
Mr P Budd
Dr C Masters
Mr G M Murray
Mrs E Noad
Ms A Richards
Mr D Workman
Mr D Brook
Mr M McPherson
Mr M Williamson

Reference and administrative information (*continued*)

Principal office:	74 Lauriston Place, Edinburgh, EH3 9DF (until 31 July 2011) The University of Edinburgh Old College South Bridge Edinburgh EH8 9YL (from 1 August 2011)
Bankers:	Bank of Scotland, 3 Earl Grey Street, Edinburgh, EH3 9BN (until 31 July 2011) Royal Bank of Scotland, Edinburgh St Andrew's Square, 36 St Andrews Square Edinburgh EH2 YHB (from 1 August 2011)
Solicitors:	Anderson Strathern, LLP, 1 Rutland Court, Edinburgh, EH3 8EY (until 31 July 2011) Morton Fraser, LLP, Quartermile2, 2 Lister Square, Edinburgh, EH3 9GL (until 31 July 2011) Lindsays WS, Caledonian Exchange, 19A Canning Street, Edinburgh EH3 8HE (from 1 August 2011)
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

Trustee's report

The Trustee presents the annual report and audited financial statements for the year ended 31 July 2011. Reference and administrative information is shown on page one. With the merger of Edinburgh College of Art and the University of Edinburgh on 1 August 2011, under Scottish Statutory Instrument No 42, (the "2011 Order") the trustees changed to the Court of the University of Edinburgh as at that date. The University Court of the University of Edinburgh became the single corporate Trustee of the Andrew Grant Scholarship Fund and is referred to in this Trustee's report as "the Trustee".

The financial statements have been prepared in accordance with the accounting policies set out in note 1 and comply with the 2011 Order, the Edinburgh College of Art (Scotland) Order of Council 1995 (the "1995 Order"), 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 - Andrew Grant Scholarship Fund ("the Fund") holds a variety of bequests and endowments. The Andrew Grant bequest 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 City of Edinburgh Council, transferring to Edinburgh College of Art in accordance with the provisions of The Edinburgh College of Art (Scotland) Order of Council 1959, (the "1959 Order") and from 1995 being administered in accordance with the 1995 Order. In addition to the Andrew Grant Bequest there are a number of other donations and bequests, from a variety of donors, including the Edinburgh College of Art Prize Fund, held within 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 trustees of the Fund were also Governors of Edinburgh College of Art, (the "ECA Board") and are referred to as the trustees. The composition of the ECA Board comprised lay and academic persons appointed under the 1995 Order as follows:

- no more than thirteen and no less than nine 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 elected by the full-time non-academic staff of the Edinburgh College of Art; and
- no more than six and no less than two 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 ECA Board appointed a Chairman from amongst the ECA Board members. A person was not 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 twelve years as an ECA Board Member.

The ECA Board delegated certain duties, responsibilities and powers to the Awards and Bequests Sub-Committee of Edinburgh College of Art. The day to day processing and handling of applications was delegated to the Secretary of Edinburgh College of Art. Following the resignation of the College Secretary in October 2010 this delegation transferred to the Chief Operating Officer of Edinburgh College of Art.

The Awards and Bequests Sub-Committee met at least once a year to consider the broad strategy and areas of activity for the Fund, reviewed the applications received (based on their consideration of the application and whether it fits with their grants policy) and determined the awards to be made from the Fund. Membership of this Sub-Committee at 31 July 2011 was Ms Tessa Jackson (Convener); Professor Ian Marrian; Professor Christine Hawley; Mrs Jocelyn Cunliffe and Ms Ginnie Atkinson.

Trustee's report *(continued)*

As noted in the reference and administrative information there were changes in ECA Board membership and an induction process for newly-appointed ECA Board Members was conducted on an individual basis, with meetings with the Chairman of the ECA Board, the Principal of Edinburgh College of Art, and the Chief Operating Officer. A Governors Handbook, which included the College's Order in Council and Regulations governing the Fund amongst other governance documents, was given to all new ECA Board Members. The ECA Board Members were also assisted by the Finance Sub-Committee of Edinburgh College of Art who considered the annual budget of the Fund and regularly received reports from externally appointed investment managers on the financial performance of the Fund.

All ECA Board Members gave of their time freely and no Trustee remuneration was paid in the year. ECA Board Members were 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.

The information given above describes the position in relation to the ECA Board until 31 July 2011. Following the merger of ECA with the University of Edinburgh on 1 August 2011, the Trustee operated within the corporate governance structure of the University of Edinburgh. Further details on these structures are detailed in the Corporate Governance Statement contained within the University of Edinburgh Reports and Financial Statements for the year to 31 July 2011.

Risk assessment

The Trustee has considered the major risks to which the charity is exposed and has reviewed those risks. During 2010-11, the ECA Board introduced improvements to systems and procedures to manage those risks. The key elements of the Fund's system of internal financial control, which was designed to discharge the responsibilities of the ECA Board, included:

- comprehensive financial regulations, detailing financial controls and procedures, approved by the Audit and Risk Committee of Edinburgh College of Art, and the ECA Board;
- thorough review to ensure that awards were made in line with the donors wishes; and
- internal audit provision whose annual programme was approved by the Audit and Risk Committee of Edinburgh College of Art.

In their Annual Statement, internal audit reported that there was an inadequate framework of control in place in the Edinburgh College of Art, which provided administrative support to the Fund. They did note that there were improved control and management arrangements in several areas but these improvements could not be considered to have been fully embedded and established at Edinburgh College of Art. Improvements are however in place following the merger of Edinburgh College of Art with the University of Edinburgh and the Trustee is satisfied that adequate controls are in place from August 2011.

Disclosure of information to auditors

The Trustee holding office at the date of approval of the Trustee's report, confirms that, so far as it is aware, there is no relevant audit information of which the trustee's auditors are unaware; and the Trustee has taken all the steps that it ought to have taken as a trustee to make itself aware of any relevant audit information and to establish that the Fund's auditors are aware of that information.

Objectives and activities

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.

Trustee's report *(continued)*

These objectives were achieved in the year ending 31 July 2011 through the consideration of all grant applications received by the Fund at the periodic meetings of the ECA Board. The awards were funded from the investment returns of the Fund's investment portfolio.

Achievements and performance

As it is a particular condition of the Andrew Grant Bequest that only students of merit should receive awards, each year Heads of School nominated students of the highest academic merit against the various categories of award. All awards were 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 2011.

During the financial year 48 scholarships, and 119 prizes and awards were made to students, ranging from £50 to £5,100.

Following merger of Edinburgh College of Art with the University of Edinburgh the administrative process for considering the award of grants and prizes from the Andrew Grant Scholarship Fund is under review.

Grant making policy

The Fund was founded to support students at Edinburgh College of Art in any way deemed suitable by the Trustee 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 as amended by the 1959 and 1995 Orders 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 Trustee 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-

Trustee's report *(continued)*

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 11. As in previous years, a forecast of income to the Fund was made and awards made up to that limit. The Fund's income from investments in the year totalled £322,690 (2010:£128,468). The year end market value of the Trust's investments increased by £184,666 representing a 9% increase over the previous year end. Edinburgh College of Art repaid in full the loan previously advanced by the Fund. This repayment is included in the year end cash balance.

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

Investment policy and performance

The investment strategy pursued by the Fund in the year ending 31 July 2011 was to balance income and capital growth. This policy was to enable the Fund to cover all expected grants payable within the period while limiting the risk of financial exposure. Specifically the Fund aimed to generate £150,000 per annum, in total. The Fund's Investments were managed by Baillie Gifford Investment Managers Limited in a discrete fund which was required to produce a yield sufficient to fund prizes and awards. The performance of these funds was closely and regularly monitored by the ECA Board, ensuring both an adequate income return and capital appreciation against appropriate benchmarks. In the year to 31 July 2011, the interest received totalled £122,690 (2010: £128,468).

Following the provision of a loan from the Fund to Edinburgh College of Art in 2007-08, Edinburgh College of Art agreed to provide an annual donation to ensure that the level of grants awarded to Edinburgh College of Art students would be maintained at £150,000 per annum, until such time as a loan from the Fund was re-paid. In 2010 -11 £27,070 was provided to ensure the sufficiency of funds to allow awards of £150,000 at least, per annum. This loan was repaid in full by Edinburgh College of Art in July 2011.

Following merger of Edinburgh College of Art with the University of Edinburgh the investment policy is under review.

Reserves policy

The ECA Board aimed 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 £1.5million loan to Edinburgh College of Art reduced capital funds available for investment. The consequent shortfall in investment income was met by Edinburgh College of Art by way of an annual donation to the Fund. This loan has been fully repaid during the year. The ECA Board's policy was not to accumulate unspent income; the level of restricted reserves fluctuated only to the extent that the value of investments appreciated or depreciated in the year.

In 2010-11, investment income excluding return on settlement of loan was £122,690 (2010: £128,468) and covered 68% of total resources expended (2010: 50%).

Following merger of Edinburgh College of Art with the University of Edinburgh the reserves policy is under review.

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 aim and objective of the Fund was to ensure sufficient interest is generated from the Fund to support scholarships and awards in accordance with the directions of the

Trustee's report *(continued)*

respective testators and donors. These aims and objectives continue with the merger of Edinburgh College of Art with the University of Edinburgh with effect from 1 August 2011.

Following merger with the University of Edinburgh, the Trustee approved that the Edinburgh College of Art Prize Fund and the other specific endowments will be transferred into the University's endowment portfolio. These endowments are reported in these financial statements as restricted endowments; they will remain restricted within the University and will be accounted for as such. The Andrew Grant Bequest, which accounts for the majority of the Fund, will remain as the sole endowment in the Fund and the Trustee will seek consent from the Office of the Scottish Charity Regulator (OSCR). The Trustee confirms that Fund will continue as a going concern albeit the administrative and legal structure is under review.

A handwritten signature in black ink, appearing to read 'Donald Workman', with a long horizontal flourish extending to the right.

Mr Donald Workman, on behalf of the Trustee

12 December 2011

Statement of the Trustee's responsibilities in respect of the Trustee's Report and the financial statements

Under the 1995 and 2011 Order, the Trustee is responsible for preparing the Trustee's Report and the financial statements in accordance with applicable law and regulations.

The financial statements are required by law to give 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 Trustee:

- selects suitable accounting policies and then apply them consistently;
- makes judgements and estimates that are reasonable and prudent;
- states whether the recommendations of the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- states whether the financial statements comply with 1995 and 2011 Order subject to any material departures disclosed and explained in the financial statements; and
- prepares the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue its activities.

The Trustee is required to act in accordance with 2011 Order within the framework of trust law. It is 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 Trustee to ensure that, where any statements of accounts are prepared by it under Section 44 of the Charities and Trustees Investment (Scotland) Act 2005, regulation 8 of the Charities Accounts (Scotland) Regulations 2006 and the 2011 Order, those statements of accounts comply with the requirements of regulation under that provision. It has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the financial and other information included on the charity's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditor's report to the Trustee 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 2011 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the charity's trustee 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 trustee those matters we are required to state to it 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 trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of the Trustee's Responsibilities set out on page eight the Trustee is responsible for the preparation of financial statements which give a true and fair view.

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, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at <http://www.frc.org.uk/apb/scope/private.cfm>.

Opinion on the financial statement

In our opinion the financial statements:

- give a true and fair view of the charity's affairs as at 31 July 2011 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005, regulation 8 of the Charities Accounts (Scotland) Regulations 2006, the Edinburgh College of Art (Scotland) Order of Council 1995 and the Edinburgh College of Art (Scotland) Transfer Order 2011.

Independent auditor's report to the Trustee of Edinburgh College of Art - Andrew Grant Scholarship Fund *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if in our opinion:

- the information given in the Trustee's Report is inconsistent in any material respect with the financial statements; or
- the charity has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



S Reid
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

Saltire Court
20 Castle Terrace
EH1 2EG

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Statement of Financial Activities

for the year ending 31 July 2011

	Note	Unrestricted funds 2010-11 £	Restricted funds 2010-11 £	Endowment funds 2010-11 £	Total funds 2010-11 £	Total funds 2009-10 £
Incoming resources						
<i>Incoming resources from generated funds:</i>						
Voluntary income	2	27,071	550	-	27,621	97,500
Investment income	2	18	-	322,672	322,690	128,468
<i>Other incoming resources</i>		-	-	30,000	30,000	30,000
Total incoming resources		27,089	550	352,672	380,311	255,968
Resources expended						
<i>Costs of generating funds:</i>						
Investment management costs		-	-	11,241	11,241	9,825
<i>Charitable activities:</i>						
Grants awarded	3	124,228	35,548	-	159,776	228,561
<i>Governance costs</i>	5	9,294	-	-	9,294	17,582
Total resources expended		133,522	35,548	11,241	180,311	255,968
Net incoming / (outgoing) resources before transfers		(106,433)	(34,998)	341,431	200,000	-
Transfers						
Gross transfers between funds		106,433	34,998	(141,431)	-	-
Net incoming resource before other recognised gains and losses		-	-	200,000	200,000	-
<i>Other recognised gains and losses:</i>						
Unrealised gains on investment assets		-	-	184,666	184,666	281,695
Net movement in funds		-	-	384,666	384,666	281,695
<i>Reconciliation of funds:</i>						
Total funds brought forward		-	-	3,665,488	3,665,488	3,383,793
Total funds carried forward		-	-	4,050,154	4,050,154	3,665,488

All of the charities activities are continuing

Balance Sheet

as at 31 July 2011

	Note	Total funds 2010-11 £	Total funds 2009-10 £
<i>Fixed assets:</i>			
Investments	6	2,350,154	2,165,488
Total fixed assets		2,350,154	2,165,488
Long term debtor	7	-	1,500,000
<i>Current assets:</i>			
Debtors		21,499	51,205
Cash at bank and in hand		1,753,968	-
Total current assets		1,775,467	51,205
<i>Current liabilities</i>			
Accruals		(75,467)	(51,205)
<i>Net current assets</i>		1,700,000	-
Net assets		4,050,154	3,665,488
<i>The funds of the charity:</i>			
Endowment funds	8	4,050,154	3,665,488
Total charity funds		4,050,154	3,665,488

The notes on pages 13 to 17 form part of these financial statements.

These financial statements were approved by the Trustee on 12 December 2011 and were signed on its behalf by:



Mr Donald Workman, on behalf of the Trustee

12 December 2011

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 Bequest, 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 Trustee 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. Revenue income generated is transferred between the funds to permit the award of relevant resources.

Unrestricted funds – Andrew Grant Bequest

The Trustee, after paying all expenses of management properly chargeable against the income of the bequest and any taxes or other burdens affecting the bequest; 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.

The Trustee 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.

Other Incoming Resources

Interest receivable on intra-group loans 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 is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore meets the definition of a charitable trust for UK income tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Part 10 Income Tax Act 2007 or Section 256 of the Taxation of Chargeable gains Act 1992, to the extent that such income or gains are applied exclusively for charitable purposes. 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

	2011	2010
	£	£
<i>Voluntary income</i>		
Donations	550	1,745
Gifts in kind	27,071	95,755
	<hr/>	<hr/>
	27,621	97,500
<i>Investment income</i>		
Dividends received	13,491	10,294
Fixed interest securities	109,199	118,174
Return on settlement of loan	200,000	-
	<hr/>	<hr/>
	322,690	128,468
	<hr/>	<hr/>
	350,311	225,968
	<hr/> <hr/>	<hr/> <hr/>

The loan provided to Edinburgh College of Art was fully repaid in the year. This repayment included £200,000 to compensate the Fund for lost return over the term of the loan.

3 Charitable activities

	Direct costs	Support Costs	Total 2011	2010
	£	(See note 4)	£	£
	£	£	£	£
Organised travel	24,299	143	24,442	12,182
Scholarships and prizes	134,544	790	135,334	216,379
	<hr/>	<hr/>	<hr/>	<hr/>
	158,843	933	159,776	228,561
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

4 Support costs

	2011	2010
	£	£
Service delivery	843	942
Bank costs	90	200
	<hr/>	<hr/>
	933	1,142
	<hr/> <hr/>	<hr/> <hr/>

The Fund has no employees and the ECA Board members received neither remuneration nor expenses for work performed in connection with the affairs of the Fund.

Notes (continued)

5 Governance costs

	2011 £	2010 £
Auditor's remuneration in respect of the statutory financial statements	6,900	14,500
Other expenses	2,394	3,082
	9,294	17,582
	9,294	17,582

ECA Board received no emoluments or expenses during the year (2009-10: nil).

6 Investments

	UK £	Overseas £	Total 2011 £	2010 £
<i>Movements in fixed asset investments</i>				
Market value brought forward	2,064,127	101,361	2,165,488	1,883,793
Additions to investments at cost	-	-	-	-
Disposals at carrying value	-	-	-	-
Add net gain on revaluation	169,491	15,175	184,666	281,695
	2,233,618	116,536	2,350,154	2,165,488
	2,233,618	116,536	2,350,154	2,165,488
<i>Investments at market value</i>				
Equities	367,796	116,536	484,332	410,083
Fixed interest securities	1,860,104	-	1,860,104	1,749,686
Cash	5,718	-	5,718	5,719
	2,233,618	116,536	2,350,154	2,165,488
	2,233,618	116,536	2,350,154	2,165,488

The Trustee considers that there were three material investment holdings at the year end:

- Baillie Gifford UK Equity Alpha Fund: £367,797 (2009-10: £308,722);
- Baillie Gifford Corporate Bond Fund: £1,323,424 (2009-10: £1,231,258); and
- Baillie Gifford Gilt Fund: £536,680 (2009-10: £518,428).

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

7 Long term debtor

The Fund provided a loan (on which interest was charged) of £1,500,000 to Edinburgh College of Art in 2007-2008. This loan was repaid in July 2011, with an additional payment of £200,000 to compensate the Fund for lost return over the term of the loan.

Notes (continued)

8 Endowment and restricted funds

	Balance 31 July 2010 £	Incoming resou £	Resources expe £	Transfers between funds £	Unrealised gains and losses £	Balance 31 July 2011 £
Endowment funds	3,665,488	352,672	(11,241)	(141,431)	184,666	4,050,154
Restricted funds	-	550	(35,548)	34,998	-	-
Unrestricted funds	-	27,089	(133,522)	106,433	-	-
Total funds	3,665,488	380,311	(180,311)	-	184,666	4,050,154

9 Analysis of funds

	Unrestricted fund £	Restricted Fund £	Endowment fund £	Total 2011 £	Total 2010 £
Investments	-	-	2,350,154	2,350,154	2,165,488
Long term debtors	-	-	-	-	1,500,000
Current assets	-	-	1,775,467	1,775,467	51,205
Current liabilities	-	-	(75,467)	(75,467)	(51,205)
Total funds	-	-	4,050,154	4,050,154	3,665,488

10 Ultimate parent undertaking

The Fund's immediate and ultimate parent undertaking at 31 July 2011 was Edinburgh College of Art, a higher education institution with its principal place of business at 74 Lauriston Place, Edinburgh, Scotland. As Edinburgh College of Art merged, under the 2011 Order, the property rights, liabilities and obligations of the College were transferred to the Court of the University of Edinburgh. Copies of the Edinburgh College of Art financial statements can be accessed at <http://www.ed.ac.uk/schools-departments/finance/about/financial-statements>.

11. Post balance sheet events

Following merger of the Edinburgh College of Art with the University of Edinburgh after the year end on 1 August 2011, the Trustee approved that the Edinburgh College of Art Prize Fund and other specific endowments will be transferred into the University's endowment portfolio. These endowments are reported in these financial statements as restricted endowments: they will remain restricted within the University and will be accounted for as such. These endowments will be administered by the University of Edinburgh in accordance with the directions of the respective testators and donors and statutory provisions. The Andrew Grant Bequest, which accounts for the majority of the Fund, will remain as the sole endowment in the Fund and the Trustee will seek OSCR's consent to renaming the Fund, "The Andrew Grant Bequest".