

SRUC

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2016

COMPANIES HOUSE
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Strategic Report



The directors present the Strategic Report of SRUC for the year ended 31 March 2016. The aim of the Strategic Report is to provide stakeholders with the ability to assess how the directors have performed their duty to promote the success of SRUC.

The format of the financial statements is in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS 102). SRUC is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

Principal Operations

SRUC is an innovative, knowledge-based organisation which supports the development of the land-based industries and communities through its specialist research and development resources, its education and learning provision and its expert advisory and consultancy services. Its work is wide ranging but there is particular emphasis on agriculture and related science; rural business development and management; food chain quality and safety; and rural resource and environmental management.

The activities of SRUC are currently delivered through three operational divisions: Research, Education and Consulting and these divisions are supported by a Finance and Professional Services Division.

During the year to 31 March 2016 the main education and research activities operated from six campuses in Aberdeen, Ayr, Broxburn, Cupar, Dumfries and Edinburgh. Consultancy services are delivered through a network of 25 Farm and Rural Business Services offices, eight Veterinary Disease Surveillance Centres and the Central Diagnostic Laboratory. In addition, SRUC operated seven farms, four of which are used mainly for research purposes and two for education. One farm was sold during the year.

Constitution, Governance and Regulation

SRUC is a private company limited by guarantee, registered in Scotland and has charitable status. The SRUC Board of Directors is responsible for the management and regulation of the financial affairs of the organisation, ensuring compliance with the

Financial Memorandum and associated guidance of the Scottish Further and Higher Education Funding Council ("SFC").

A full statement of the Board's responsibilities is detailed on page 16, membership of the Board is detailed on page 9 and the Board's corporate governance arrangements are detailed on pages 14-15. The directors are also trustees and are referred to throughout this document as directors.

The Principal and Chief Executive is appointed by the Board and is directly accountable to the Chief Executive of SFC for the institution's proper use of public funds.

SRUC's educational activities are funded by SFC. SRUC continues to receive a proportion of its funding for its research, veterinary and advisory activities directly from the Scottish Government.

In these financial statements SRUC, at 31 March 2016, is taken to include SRUC, SAC Commercial Ltd, the SAC Foundation and Equestrian Facilities Scotland Ltd.

Current Vision and Aims

SRUC's mission is a commitment to excellence in the advancement, communication and translation of knowledge throughout the rural sector.

SRUC's vision is *'to be a leader of innovation and sustainable development in agriculture, land and the rural sector'*.

The vision can be further articulated in that **"SRUC is recognised for its global and local impact on food and environmental security through world-class research, education, training and consulting"**.

SRUC's Global aims are:

- To create SRUC academic resources which have local delivery, national impact and global influence.
- To be an international leader in land-based research and consultancy services.
- To be a sustainable, well-resourced organisation with exemplary credentials and real ownership amongst students, staff and stakeholders.
- To continue to build on our assets and reputation

SRUC has a five year strategic plan for the period 2013 to 2018. The appointment of the new Principal on 1 July 2016 and the potential changes as a result of Brexit means that the timing is appropriate to review the strategy and consider the changes and developments which will be in place from 2017. The four key aims and objectives to be delivered against the current strategy, which was in place for the year ended 31 March 2016, and the progress against these is detailed below.

Aim 1: Building a culture of excellence.

Objective	KPI	Progress
a. Delivery of a sector leading research programme with cross-disciplinary outputs; b. Securing a research environment and profile that creates undergraduate and post graduate student demand and stimulates staff recruitment from the UK and overseas	– Maintain top position for research power in the next REF exercise.	– The new RESAS Research Programme for 2016-21 has commenced.
	– Achieve taught degree and research degree awarding powers, independently or through collaboration.	– Work is being undertaken to develop the evidence base to meet the criteria to submit an application for degree awarding powers which includes a reformed Academic Board in operation and work on academic structures.
	– Achieve compliance with SFC Outcome agreement and annual compliance with existing validating bodies, QAA and Education Scotland.	– The 2015/16 Outcome Agreement Evaluation Report provides an overview of progress against a range of targets during the academic year. – The 2016/17 Outcome Agreement was agreed with SFC and work has commenced on the drafting of the 2017/18 document. – Dialogue with SFC/QAA and ES is underway in relation to the impact of the new quality framework.

Aim 2: To be a top UK agriculturally focused HEI with increased global links with impact.

Objective	KPI	Progress
a. Delivery of a programme of research, consultancy and knowledge transfer; b. Growing an international portfolio of courses and post graduate research; c. Provision of a first class service to our consultancy clients.	– Achieve top three place in Research Power ranking for Agriculture, Veterinary and Food Science panel in REF 2014.	– Education Agricultural and veterinary research at SRUC, submitted jointly with the University of Edinburgh, was ranked as the most powerful in the UK in the Research Excellence Framework (REF).
	– Increase the number of enrolled research students by 100% and postgraduate students by 75% by 2018 from the 2011 base figures	– Postgraduate research student registrations are up 36% on 2011. – Taught postgraduate student registrations are up 67% on 2011.
	– SRUC/SAC Commercial maintained as the provider of choice to Scottish Government.	– Scottish Government awarded the contract to SAC Commercial which commenced on 1 September 2016.

Aim 3: Creating a new FE/HE model for Scotland with innovative delivery

Objective	KPI	Progress
<p>a. Delivery of an innovative and stimulating portfolio of education that enables students to achieve academic excellence coupled with career excellence;</p> <p>b. Working with employers, stakeholders and other professional bodies to ensure that SRUC's outputs are responsive to the needs of our customers and students.</p>	<p>– Complete the National Strategy for land-based tertiary education in 2015</p>	<p>– Further to the publication of the National Strategy in August 2015 a National Strategy Group has been established.</p> <p>– The immediate impact of the strategy for SRUC will see both the transfer in of provision and the transfer out of provision.</p> <p>– Vet Nursing activity being delivered by Edinburgh College transferred to SRUC's Oatridge Campus. The Animal Care and Vet Nursing activity being delivered by NESCol transferred to SRUC's Craibstone campus.</p> <p>– The SFC are clear that whilst the strategy was published in the summer of 2015 this was only the start of an ongoing process. The National Strategy Group will therefore continue to implement the recommendations within the report as well as considering other emerging issues that may impact upon the direction of travel.</p>
	<p>– Achieve student number targets per annual SFC Outcome agreements and SRUC targets for RUK and overseas students, with the development of four new postgraduate taught courses.</p>	<p>– While Higher Education was below target, the Further Education target was exceeded.</p>
	<p>– Achieve a position in the top three in sector within the National Student Survey by 2015.</p>	<p>– SRUC's results for its fourth year of participating in the NSS saw a decrease to 76% overall satisfaction. A detailed plan has been developed to improve this rating in subsequent years.</p>

Aim 4: Provision of an enabling culture that supports staff, students, stakeholders and SRUC in the delivery of the vision and values.

Objective	KPI	Progress
<p>a. Being an exemplary, socially responsible employer nurturing equality, inclusion and diversity;</p> <p>b. Develop the highest standards in the delivery of professional services to maximise the delivery of institutional plans and achieve a sustainable organisation;</p> <p>c. Establishing new income streams to enable the development of world class facilities;</p> <p>d. Minimising the environmental footprint and support the obligations under the Universities and Colleges Climate Commitment for Scotland.</p>	<p>– Achieve and maintain award status in Investors in people (IIP); Athena Swan Bronze and Concordat in HR Excellence.</p>	<p>– New Equality, Diversity, Human Rights and Inclusion Committee established and significant briefing of staff undertaken.</p> <p>– SRUC submitted an Athena Swan application in April 2016 to obtain a Bronze status but was not successful. SRUC will reapply.</p> <p>– Planning is underway to seek Concordat in HR Excellence and Concordat on Research integrity awards.</p>
	<p>– Plan and deliver strategically focused infrastructure programme to improve quality of staff and student accommodation and facilities.</p>	<p>– Development of an SRUC wide Infrastructure strategy has been completed. A number of assets identified as being surplus have been sold. This strategy will be further updated to reflect any changes to overall strategic development.</p>
	<p>– Deliver a 3% financial surplus across the institution, including growing philanthropic receipts to £250k p.a. by 2018.</p>	<p>– This KPI has not been met and the future strategy will require to include targets that ensure sustainability.</p> <p>– A Development and Alumni Relations Office has been established and resources are being made available to support activities.</p>
	<p>– Establish baseline CO2 emissions and set 15% reduction targets in support of Scottish Government targets.</p>	<p>– Baseline data has been secured for all environmental targets with annual action plans put in place to reduce our environmental footprint as part of our Carbon Management Plan.</p>

Financial Highlights

Results for the year.

Reconciliation of total comprehensive income to operating result.

	2016 £m	2015 £m
Total comprehensive income (page 19)	4.4	(3.1)
Actuarial (gain)/loss	(2.9)	5.2
Revaluation of investments	0.4	-
Gains on fixed asset disposals	(0.9)	(1.6)
Research tax credit	(1.4)	-
Other non-recurring items	0.1	0.4
Operational result	<u>(0.3)</u>	<u>0.9</u>

Although the Statement of Comprehensive Income reports a total of £4.4m for the year, the underlying operating position was a deficit of £0.3m as shown in the table above. This compares with an operating surplus of £0.9m in the prior year. The target for 2016 was an operating surplus of 2.3% with a view to this increasing to 3% over the period to 2018 in accordance with the strategic plan.

The Statement of Comprehensive Income, which replaces the Income and Expenditure Account under FRS 102, includes actuarial gains and losses on the final salary pension schemes and movements on revaluation of investments which would previously been reported through the Statement of Recognised Gains and Losses. While the Statement of Comprehensive Income shows a loss on the disposal of fixed assets, the above reconciliation shows a net surplus on disposal as it reflects the release of the related capital grants and negative goodwill on these assets. The Research tax credit became available to HEIs for a short period and will be non-recurring. The other items relate to provisions no longer required and severance costs funded by SRUC of £0.6m in the year.

The Statement of Comprehensive Income shows an increase in turnover of £2.9m from 2015. However, after taking account of increased grants released in respect of fixed assets disposals and the gross Research Tax credit (which will not recur), the true movement is a net decrease in turnover of £0.4m.

For the year ended 31 March 2016 SAC Commercial Ltd made a profit of £3.1m and after payment of £3m of gift aid, had a retained profit of £62k. Equestrian Facilities Scotland Ltd made a profit of £19k and after payment of £92k of gift aid, had a retained loss of £73k.

The results have been prepared in accordance with the Financial Reporting Standard FRS 102 for the first time and the prior year figures have been restated accordingly. Note 32 shows the effect on reserves for 2014 and 2015 and has a reconciliation of the income and expenditure for the year ended 31 March 2015. The restated brought forward reserves at 1 April 2015 were reduced by £1.265m as a result of the implementation of FRS 102.

The Group and Company Statement of Comprehensive Income incorporates the surplus for the year and includes unrealised gains and losses on investments and endowments plus actuarial gains and losses on the final salary pension schemes.

The performance against the financial KPIs was as follows:

As a % of turnover	Target	Actual
Underlying operating surplus	2.3%	(0.3)%
Operating cash flow	4.5%	(3.3)%
Staff costs	<57%	59%

Note: The Turnover figure used to calculate the operating surplus and staff cost percentages excludes non-recurring income, merger funding and the release of deferred capital grants.

The targets have not been met which was also the case in the previous year. The budget for the year ended 31 March 2017 is set as a deficit. The future financial plans are being compiled alongside the development of strategy to achieve the longer term aims of improved margins to ensure sustainability.

Balance Sheet

	2016 £m	2015 £m
Net assets	<u>11.3</u>	<u>6.9</u>

The format of the balance sheet is unchanged save for the moving of deferred capital grants to long term creditors which has the effect of decreasing the total for net assets. After implementing the changes to reserves as a result of FRS 102, the net assets at 31 March 2015 were reduced by £38,954k to £6,929k as a result of this re-categorisation of the deferred capital grants.

Fixed assets

The net book value of fixed assets at 31 March 2016 was £88m. Additions in the year amounted to £3m and related to a number of smaller additions to buildings and equipment.

Endowments

The value of SRUC's endowment asset investments has reduced by £0.4m to £3.5m at 31 March 2016 mainly as a result of a decrease in the value of the underlying investments. The performance of the fund managers continues to be monitored.

Cash & Treasury Management

The cash balance held by SRUC at 31 March 2016 was £7.7m, a decrease of £2.2m, which can be attributed in the main to the movement in working capital.

Current assets

The group had net assets at 31 March 2016 of £5.5m compared with £1.3m at 31 March 2015, an increase of £4.2m.

Pension Liability

The total pension liability at 31 March 2016 was £16.2m. This was a decrease of £1.8m from 2015 and relates to the four final salary pension schemes operated by SRUC. Deficit recovery plans are in place.

Principal Risks and Uncertainties

In common with other Higher Educational Institutions (HEIs), SRUC has to manage its activities while facing significant pressures on its funding as well as its cost base.

Significant risks

- Public sector spending reductions and policy changes influenced by:
 - External political and economic uncertainty
 - Student funding uncertainty
 - Common Agricultural Policy reform/Brexit
- Most research funding at significantly less than full economic cost.
- Failure to retain and attract high quality people across the organisation and related pressure on staff costs in terms of pay awards and pension provision.
- Viability/suitability of the enlarged estate following the merger.
- Funding sources for capital investment.

Financial risk management policy

The Group's principal financial instruments comprise cash, cash equivalents and bank loans. Other financial assets and liabilities, such as trade debtors and creditors arise directly from the Group's operating activities.

The main risks associated with the Group's financial assets and liabilities are set out below.

Interest rate risk

Interest is charged on a fixed rate basis on bank loans. Therefore, there is no exposure in this area.

Credit risk

A significant percentage of the Group's income is derived from UK government departments in the form of grant-in-aid and other project funding.

SRUC's commercial activities are spread across a significant number of smaller customers and the Group therefore has a relatively low level of exposure to external credit risk.

Principal Risks and Uncertainties (cont'd)

Liquidity risk

The Group aims to mitigate liquidity risk by managing cash generated by its operations. Flexibility is maintained by retaining surplus cash in readily accessible bank deposit accounts. Cash flow forecasts are reviewed monthly.

Foreign currency risk

The Group's principal transactions in foreign currency are Single Farm Payments and European Union funded Research projects. As a result, the Group's income can be affected by movements in the Euro exchange rate. Hedging activity is undertaken as appropriate for large receipts to mitigate this risk.

The identification and management of risks is firmly embedded within SRUC's structure and processes. The institutional Strategic Risk Register is formally reviewed by the Executive Management Team (EMT), the Audit and Risk Committee and the Board. SRUC has developed Risk Registers for each of the operating divisions.

Future Developments and Factors Influencing Performance

In 2015 the Board made a commitment to ensure the strategic direction of SRUC would be focused on a stronger financial platform. The new Principal, Professor Wayne Powell, joined SRUC on 1 July 2016 and has been heavily involved in the ongoing development of SRUC's ambitious future strategy.

SRUC's facilities, expertise and geographical spread are unique, and place the organisation in an unrivalled position to support the future needs of a dynamic, innovative and competitive rural sector in Scotland and beyond.

At the same time, the global challenges of food and nutrition security, climate change and sustainable development have underlined the strategic importance of agri-food science and innovation.

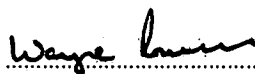
There is a renewed policy focus on industry-facing research to unlock the potential of a rapidly advancing knowledge base in biological, engineering and data intensive agriculture to improve the productivity, efficiency and resilience of primary agriculture. The significance of this is likely to grow following Brexit.

The strategy for SRUC therefore must be one that harnesses and captures these opportunities to assert SRUC's status as the National Institution for research, teaching and advice which connects the science base and industry and drives growth and innovation in the rural economy. Furthermore, SRUC's latent integrated model of research, education and consultancy provides a unique environment for student centred learning and a further clear point of differentiation.

Strategic relationships and collaborations that add value, together with attaining degree awarding powers continue to be high priorities for SRUC.

Strategic investment in our assets, people and infrastructure, is a major priority and will determine the pace, scale and impact of our future strategy. The condition survey carried out on the estate at the time of merger indicated significant expenditure is required to provide fit for purpose facilities and it is not possible for SRUC to address these issues without significant support.

The strategy whilst bringing a strong focus to business development and growth, also recognises the imperative of ensuring that SRUC has an efficient and effective operating model to ensure long term sustainability.



Wayne Powell
Principal and Chief Executive

8 December 2016

Directors' Report



Registered No: SC103046

The directors present their report for the year ended 31 March 2016

The current directors and those who held office during the year and to the date of approval of the financial statements are:

	Date of Appointment	Date of Retirement	Status of Appointment
Mr J Bamkin (Student elected)	30 Sep 2016	30 Jun 2017	Non-Executive
Mr D Bell (Staff elected)	10 Oct 2014	8 Oct 2015	Non-Executive
Mr L Borwick	8 Oct 2010	Oct 2018	Non-Executive
Professor G Bulfield CBE	4 Oct 2007	8 Oct 2015	Non-Executive
Mr J Cumming CBE (Vice Chairman from Oct 2013)	1 Apr 2011	Oct 2019	Non-Executive
Miss B Dall (Student elected)	10 Oct 2014	24 April 2015	Non-Executive
Mr R Dinning	11 Dec 2014	Oct 2017	Non-Executive
Lord J Lindsay (Chairman from Oct 2007)	5 Oct 2005	8 Oct 2015	Non-Executive
Mr P Machray OBE (Chairman from 9 Oct 2015)	4 Oct 2007	Oct 2018	Non-Executive
Mr A Marshall (Vice Chairman from Oct 2012)	5 Oct 2012	Oct 2018	Non-Executive
Mr W Marshall	5 Oct 2012	Oct 2018	Non-Executive
Mr N Miller	1 May 2015	Oct 2018	Non-Executive
Professor S McDaid, CBE (Vice Chairman from October 2015)	11 Oct 2013	Oct 2019	Non-Executive
Professor D McKenzie	17 Dec 2014	10 July 2015	Executive
Professor W Powell	1 Jul 2016	n/a	Chief Executive
Ms K Richards	11 Oct 2013	Oct 2019	Non-Executive
Mr A Robb (Student elected)	10 Jul 2015	30 Jun 2016	Non-Executive
Professor G Simm	10 Dec 2009	29 Jun 2016	Executive
Professor S Skerratt (staff elected)	7 Dec 2015	Oct 2018	Non-Executive
Ms J Swadling	2 Oct 2001	n/a	Deputy Chief Executive*
Professor C Williams	9 Oct 2015	Oct 2018	Non-Executive

Non-Executive Directors are appointed for a term of up to three years. They are eligible for reappointment for one further term. The Board reviews appointments on an annual basis and appointments do not necessarily run to the full term. The Chairman can serve a maximum of five years (previously eight years), the time period for which begins on his appointment as chairman.

* Acting Chief Executive from 1 December 2013 to 30 June 2016

Directors' Report



Directors' attendance

Details of the Directors' attendance record at Board meetings and relevant Board Committee meetings in the period 1 April 2015 to 31 March 2016 are set out below. The number in brackets represents the number of meetings that the Director was eligible, as a member of the Board or Committee, to attend during the year.

	Board	SAC Commercial	A&R Committee	Audit & Risk Committee	F&GP Committee
Number of meetings in period	5	5	8	4	6
Mr D Bell (Staff elected) ~	2(2)				
Mr L Borwick	4(5)	4(5)			5(6)
Professor G Bulfield CBE ~	1(2)			2(2)	
Mr J Cross * ++	2(2)***	3(3)			
Mr J Cumming CBE	5(5)	2(2)***	8(8)		6(6)
Miss B Dall (Student elected) ~~~					
Mr R Dinning	5(5)	2(2)***		4(4)	
Dr J Gilliland OBE * ~		2(2)			
Mr D Green *	2(2)***	5(5)		4(4)	
Lord J Lindsay ~	2(2)	1(2)	2(4)		
Mr P Machray OBE +	5(5)	5(5)	8(8)		3(3) 1(1)***
Mr A Marshall	5(5)	5(5)	7(8)	2(2)	
Mr W Marshall	5(5)	5(5)			5(6)
Mr N Miller	5(5)	5(5)			
Professor S McDaid CBE	5(5)	2(2)***	1(1)*** 4(4)	3(3)	3(3)
Mr J McLean * ++	2(2)***	3(3)			3(3)
Professor D McKenzie ~	1(1)				
Ms K Richards	5(5)	5(5)			
Mr A Robb (Student elected)	5(5)	1(2)***			
Professor G Simm	5(5)	5(5)	1(1)***		4(4)***
Professor S Skerratt ***	2(2)	1(2)***			
Ms J Swadling	5(5)	5(5)	8(8)**	4(4)**	6(6)**
Mr M Wijnberg *	5(5)**	5(5)			2(2)***
Professor C Williams **	3(3)	1(2)***			

*SAC Commercial Board member only

** in attendance

*** by invitation

+ Chair from 8 October 2015

++ appointed from 8 October 2015

+++ appointed from 10 December 2015

~ left office on 10 July 2015

~~ left office on 8 October 2015

~~~ left office on 24 April 2015

## Communication with Staff

SRUC is conscious of the value of keeping employees informed of the progress and future plans of the organisation and of the mutual benefit that is engendered by good internal communications. A communications and engagement strategy has been in place since the merger. It includes a monthly Core Brief, which provides staff with a summary of the key issues faced by SRUC and any actions considered necessary by the Executive Management Team (EMT) and also provides details of successes enjoyed. This is supported by regular video broadcasts by the Chief Executive which address pertinent matters at the time. In addition line managers are asked to supplement the Core Brief with information and news relevant to their immediate reports and staff. All staff are encouraged to participate, provide feedback and raise questions with EMT via their line managers.

## Corporate Social Responsibility Policy

Corporate social responsibility (CSR) represents a commitment by SRUC to behave fairly and responsibly, sustain economic development while improving the quality of life for staff as well as contributing to local communities and society. SRUC recognises that social, economic and environmental responsibilities to stakeholders in the land-based industries are integral to SRUC's mission, vision and values and business success.

SRUC's mission to enhance the sustainability of the land-based industries is at the heart of its CSR policy. SRUC aims to improve the competitiveness of the land-based sector and thereby enhance livelihoods. We are reducing our greenhouse gas emissions by introducing energy efficiency measures and adopting procurement policies that favour sustainably-produced goods. Whenever feasible, SRUC promotes the adoption of modern and cleaner technologies by actively assisting its clients in minimising the environmental impacts of their operations.

SRUC is committed to ensuring that its business is carried out in all respects according to rigorous ethical, professional and legal standards.

SRUC values its staff. Our employment policies are directed at creating an environment that will attract, develop, motivate and reward employees of high calibre. Alongside its financial success as a business, SRUC recognises its responsibility to

work in ways that add value to the lives of stakeholders and improve the world in which they live.

## Disability Policy

SRUC is committed to ensuring disability equality in all our employment and operational practices, policies and procedures, and to a positive and proactive approach to people who have a disability/learning difficulty (e.g. a physical disability, sensory impairment, medical condition, learning difficulty or mental health condition).

SRUC seeks to enable employees with any such disability/learning difficulty to pursue successfully their work in equality with all other employees, through recognition of the additional support they may need to achieve this.

However, SRUC understand that many people are disabled by social, attitudinal and physical barriers and as such recognise a social model of disability that uses the following definition:

'There are societal barriers that prevent disabled people from achieving their full potential, hinder their personal development opportunities and limit access to a full role in society'.

In order to address this, SRUC will seek to overcome these barriers by providing any reasonable adjustments where appropriate to do so. SRUC acknowledge that disabled people are not all the same and that each person may have different needs. SRUC understand that disabled people and organisations which represent them are best placed to describe their individual needs and specific requirements.

## Equalities Policy

SRUC is committed to a policy of equal opportunity for all employees and potential recruits irrespective of a person's gender, age, marital status, parental status, race, colour, nationality, ethnic origin, religious beliefs, sexual orientation, gender identity, gender reassignment, transsexualism or physical or mental disability, or any other discriminatory distinction. Information is maintained to enable appropriate data to be collated.

## Equalities Policy (cont'd)

The aim of SRUC's policy is to ensure that the talents of all employees are used to the full and that each individual has the opportunity to fulfil their potential and achieve their career ambitions.

SRUC believes that excellence will be achieved through recognising the value of every individual. We aim to create an environment that respects the diversity of employees and enables them to achieve their full potential, to contribute fully, and to derive maximum benefit and enjoyment from their involvement in the business life of SRUC.

## Modern Slavery Act 2015

SRUC is committed to maintaining and improving our systems and processes to avoid any complicity in human rights violations, both in relation to our own operations and those of our supply chain.

SRUC has a permanent presence in Scotland and carries out some activities in other countries, principally in England, the rest of Europe and in Africa. Our business is conducted under the names of SRUC, SAC Commercial Limited and SAC Consulting and this statement covers all our activity.

SRUC has a zero tolerance policy towards slavery and human trafficking.

Within the current financial year, we are undertaking a review of our procurement policies to ensure that all persons within our supply chain are compliant with the provisions of the Modern Slavery Act 2015 (the "Act").

Our supplier selection process has been reviewed and future invitations to tender will include an assessment of our suppliers understanding and commitment to the Act, both in their own employment practices and those within their supply chain partners.

We would encourage any employee to report in 'good faith' any issues or concerns about potential breaches of the Act.

## Environmental Policy

SRUC is committed to promoting sustainability in the land-based sector, helping to mitigate climate change and minimising any adverse impact of our activities, directly and through our influence on others. The SRUC Environment Policy was revised in 2014/15 and states our commitment to promoting sustainability in the land-based sector,

helping to mitigate climate change and minimising any adverse impact of our activities, directly and through our influence on others.

SRUC have publicly declared our intention to address the challenges of climate change and reduce our carbon footprint by signing the Universities and Colleges Climate Commitment for Scotland (UCCCS). The UCCCS agreement coordinates the education sector's response to the Scottish Government's Climate Change (Scotland) Act 2009, which sets long-term carbon reduction targets of 42% and 80% by 2020 and 2050 respectively. We are committed to improve Scotland's natural and built environment through our primary role as an educator, skill trainer and researcher; as an owner of a large and complex estate; and as the focus of many local communities. As a signatory we have to produce and publish a Carbon Management Plan to be incorporated into established improvement processes, with the aim to achieve a significant reduction in emissions; this is currently being drafted.

## Health and Safety Policy

Health, safety and welfare are an integral part of every function within SRUC, and their successful management is as important as any other management activity. SRUC recognises that legal requirements define the *minimum* level of achievement. A cornerstone of SRUC's approach is to plan for continuous improvement in health and safety management systems.

It is SRUC's policy to provide and maintain a programme of continual improvement incorporating good Health & Safety and Quality professional practices into all aspects of its services.

All staff are encouraged to take ownership of the system and SRUC's trained quality assurance staff monitor the system ensuring its continued compliance with documented standards.

SAC Consulting and SRUC Research are certified to ISO 9001:2008 and as an organisation significant other parts of SRUC are also certified to OHSAS 18001:2007. The SRUC Environment & Design Team and Elmwood campus are certified to ISO 14001:2004 and the Veterinary Services Group (part of the Consulting Division) holds ISO 17025:2005 accreditation for the SRUC Veterinary Services Group and SAC Commercial Ltd.

# Directors' Report



## Creditors Policy

SRUC follows the Better Payment Practice Code. As a business our policy is to agree payment terms at the outset and stick to them; explain our payment procedures to suppliers; pay bills in accordance with any contract agreed with the supplier or as required by law; inform suppliers without delay when an invoice is contested, and settle disputes quickly.

As at 31 March 2016 there were 40 days (2015 – 34 days) of creditors outstanding. Interest paid under the Late Payment of Commercial Debts (Interest) Act 1998 amounted to nil (2014 nil).

## Third Party Indemnity Insurance

SRUC has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

## Directors' Statement on Going Concern

In line with the Financial Reporting Council's guidance on going concern, the directors have undertaken an exercise to review the appropriateness of the continued use of the going concern basis.

Whilst the directors recognise and have considered the challenges facing the organisation as outlined in the Strategic Report and determine that a focus on financial-sustainability must be at the forefront of the strategy, the directors are satisfied that the Group has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis of accounting in preparing the annual financial statements.

## Auditors


External audit services were put to competitive tender in 2015 and Ernst & Young LLP were successful in securing the contract for three years to 31 January 2019. Internal audit services were also tendered and KPMG were reappointed for three years to 31 March 2019.

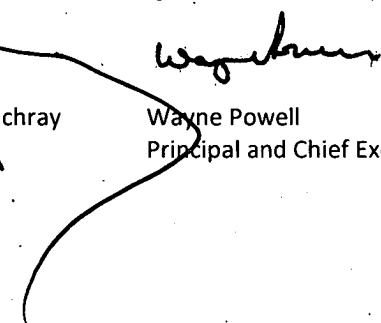
## Directors' Statement as to Disclosure of Information to External Auditors

The directors who were members of the board at the time of approving the Directors' Report are listed in this report. Having made enquiries of fellow directors and of the company's external auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's external auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's external auditors are aware of that information.

This report was approved by the Board on 8 December 2016 and signed on its behalf by:

 Patrick Machray  
Chairman

 Wayne Powell  
Principal and Chief Executive

## Introduction

SRUC is committed to upholding best practice in all aspects of Corporate Governance.

This summary describes the manner in which the Board has applied the principles of the UK Corporate Governance Code issued by the Financial Reporting Council in 2014 and the main principles of the Scottish Code of Good HE Governance. In addition, due regard has been taken of the Turnbull Committee Guidance on internal control as amended by the British Universities Finance Directors Group in its 2006 Guidance, the Guide for Members of Higher Education Governing Bodies in the UK, as issued by the Committee of University Chairmen in 2009 and the Annual Financial statements Direction as issued by the Scottish Funding Council. Its purpose is to help the reader of the reports and financial statements understand how the principles have been applied.

## Statement of UK Corporate Governance Code 2014 compliance

In the opinion of the Board, SRUC complies with all the provisions of the UK Corporate Governance Code 2014 in so far as they apply to the higher education sector, and it has complied throughout the year ended 31 March 2016.

## Statement of Compliance with the Scottish Code of Good HE Governance

In terms of the Financial Memorandum agreed with the Scottish Funding Council, all Higher Education Institutions are required to comply with the principles of good governance set out in the Scottish Code of Good HE Governance. In the opinion of the Board, SRUC complies in all material respects with the principles set out in the Code.

## Board of Directors

The Board comprises non-executive and executive directors. The roles of Chairman and Vice-Chairmen of the Board are separated from the role of the Principal and Chief Executive. The Board is responsible for the on-going strategic direction of SRUC, approval of major developments, and the receipt of regular reports from executive directors and managers on the day to day operations of its business and its subsidiary companies.

## Board Committees

In order to be able to devote sufficient time to strategic issues, the Board delegates certain tasks to its standing committees as set out below. All of these committees are formally constituted with terms of reference and comprise mainly non-executive directors, one of whom is the Chair, and are attended as appropriate by members of the EMT. The decisions of these committees are reported to the Board. During the year, all committees have reviewed their terms of reference.

### Academic Board

The Academic Board has delegated authority from the SRUC Board to be responsible for the overall planning, development, co-ordination and supervision of the academic work of SRUC. Membership is drawn from across SRUC and includes elected representatives. The Academic Board meets at least once a term and is chaired by the Principal and Chief Executive.

### Appointments and Remuneration Committee

The Appointments and Remuneration Committee considers nominations for new directors from the Nominations Committee which includes staff and student representatives and makes recommendations on appointment to the Board. The Appointments and Remuneration Committee determines the remuneration of executive directors. It also considers overall pay and employment terms for the Group and makes the recommendations to the Board for Professorial and Honorary awards. The Appointments and Remuneration Committee meets a minimum of three times each year and is chaired by a Vice Chairman of the Board.

### Audit and Risk Committee

The Audit and Risk Committee reviews the effectiveness of financial and internal control systems, in particular those relating to risk management, corporate governance, internal and external audit as well as overseeing compliance with legislation. The Committee is chaired by a non-executive director and meets a minimum of three times each year, with the external and internal auditors in attendance.

## Finance and General Purposes Committee

The Finance and General Purposes Committee monitors the financial affairs of the Group and advises the Board on financial policy and planning. It also provides strategic direction in terms of the Infrastructure Strategy. The Finance and General Purposes Committee is chaired by a Vice Chairman of the Board and meets a minimum of three times annually. The Finance and General Purposes Committee discharges the Trustee responsibilities with regard to the investment and disbursement of trust funds and reviews these on an annual basis.

## SRUC Council Consultative Committees

The SRUC Council Consultative Committees provide consultation and input to the external scan of SRUC's strategic business plan and as a source of consultation for the Group Board in respect of SRUC's client community and related bodies and organisations.

The Council is composed of two Consultative Committees - Agriculture and the Environment, and Rural Development. Each of the Consultative Committees, which are chaired by non-executive directors, bring together Group Board representatives, members of staff and external individuals and representatives with each meeting up to two times per year.

## Statement of Internal Control

The SRUC Board is ultimately responsible for SRUC's system of internal control and the Principal and Chief Executive is responsible 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.

The EMT receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms.

The strategic planning process acts as a key control. The EMT meets annually with senior managers to consider progress over the last financial year and key drivers for the planning process for the forthcoming planning cycle. This informs the discussion with the SRUC Board at an annual board strategic planning session. Meetings

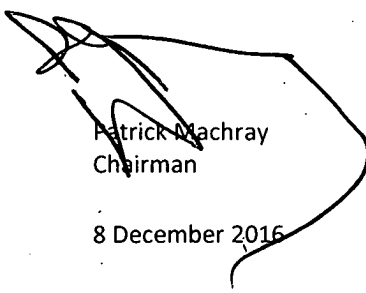
are held with each division to discuss the specific group plans.

The Audit and Risk Committee's role in internal control is integral to managing the externally sourced internal audit function. The internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan, and report their findings to management and the Audit and Risk Committee. Management is responsible for the implementation of agreed audit recommendations and the internal auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Audit and Risk Committee considers summarised reports together with recommendations for the improvement of the SRUC's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Scottish Funding Council as they affect SRUC's business and monitors adherence to the regulatory requirements.

Whilst senior executives attend meetings of the Audit and Risk Committee as necessary, they are not members of the Committee and the Committee meets the internal and external auditors, at least once a year, on their own for independent discussions.

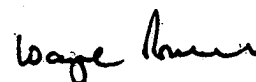
The SRUC Board receives regular reports from the EMT and the Audit and Risk Committee.

The SRUC Board is of a view that there is an ongoing process for identifying, evaluating and managing the SRUC's significant risks, and that it has been in place throughout the year ended 31 March 2016 and up to the date of approval of the annual report and financial statements.



Patrick Machray  
Chairman

8 December 2016



Wayne Powell  
Principal and Chief Executive



# Statement of the Responsibilities of the Board of SRUC



The Board is responsible for ensuring that the affairs of SRUC are administered and managed appropriately including an effective system of internal control, and that audited financial statements are presented 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 SRUC, and ensure that the financial statements are prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006, the Statement of Recommended Practice on Accounting in Higher Education Institutions, and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between SRUC and SFC, the Board, through its designated Accountable Officer (Principal and Chief Executive), is required to prepare financial statements for each financial year which give a true and fair view of SRUC's state of affairs and of the surplus or deficit and cash flows for that year.

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

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Institution 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 Scottish Government and SFC and other public funding bodies are used only for the purposes for which they have been granted;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of SRUC and prevent and detect fraud;
- secure the economical, efficient and effective management of SRUC's resources and expenditure.

# Independent Auditors Report to the Trustees and Members of SRUC

We have audited the financial statements of SRUC for the year ended 31 March 2016 which comprise the Group and Company Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statement of Changes in Reserves, the Group Cash Flow Statement, the Statement of Principal Accounting Policies and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Charitable Company's trustees and members, as a body, in accordance with our appointment under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Charitable Company's trustees and members 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 Charitable Company and the Charitable Company's trustees and members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of the Responsibilities of the Board of SRUC, as set out on page 16, the trustees (who are also the directors of the company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they 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 under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, regulations and International Standards on Auditing (UK and Ireland).

Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and Charitable Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and Charitable Company's affairs as at 31 March 2016 and of the Group's and the Charitable Company's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and with the Statement of Recommended Practice: Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006.

# Independent Auditors Report to the Trustees and Members of SRUC (continued)

## Opinion on other matter prescribed by the Companies Act 2006

- In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Opinion on other matters prescribed by the terms of our engagement

In our opinion:

- funds from whatever source administered by the institution for specific purposes have been applied properly to those purposes and, if relevant, managed in accordance with relevant legislation, and any other terms and conditions attached to them; and
- funds provided by Scottish Funding Council have been applied in accordance with the requirements of the SFC Financial Memorandum with Higher Education Institutions.

## Matters on which we are required to report by exception

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

- the parent company has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made;
- or we have not received all the information and explanations we require for our audit.

*Ernst & Young LLP*

Stephen Reid (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP (Statutory Auditor)

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

**12 DECEMBER 2016**  
Edinburgh

The maintenance and integrity of SRUC web site is the responsibility of the Board of Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Group and Company Statement of Comprehensive Income



Year ended 31 March 2016

|                                                     | Note | 2016<br>Group<br>£000 | 2015<br>Group<br>£000 | 2016<br>Company<br>£000 | 2015<br>Company<br>£000 |
|-----------------------------------------------------|------|-----------------------|-----------------------|-------------------------|-------------------------|
| <b>Income</b>                                       |      |                       |                       |                         |                         |
| Scottish Government grants                          | 1    | 19,281                | 17,196                | 19,143                  | 17,197                  |
| Scottish Funding Council                            | 2    | 21,359                | 21,707                | 21,252                  | 21,704                  |
| Tuition fees and education contracts                | 3    | 6,315                 | 5,696                 | 6,302                   | 5,638                   |
| Research grants and contracts                       | 4    | 8,509                 | 8,650                 | 3,629                   | 3,631                   |
| Advisory and consultancy contracts                  | 5    | 13,445                | 12,933                | 1,433                   | 2,331                   |
| Other operating income                              | 6    | 10,558                | 10,438                | 12,092                  | 7,593                   |
| Interest receivable                                 |      | 41                    | 56                    | 41                      | 56                      |
| <b>Total income</b>                                 |      | <b>79,508</b>         | <b>76,676</b>         | <b>63,892</b>           | <b>58,150</b>           |
| <b>Expenditure</b>                                  |      |                       |                       |                         |                         |
| Staff costs                                         | 7    | 42,240                | 42,145                | 40,939                  | 41,990                  |
| Other operating expenditure                         |      | 30,976                | 30,354                | 14,110                  | 14,077                  |
| Fundamental costs- merger costs                     |      | -                     | 462                   | -                       | 462                     |
| -staff restructuring                                |      | 616                   | 819                   | 616                     | 819                     |
| Interest and other finance costs                    | 10   | 639                   | 570                   | 639                     | 570                     |
| <b>Total expenditure</b>                            |      | <b>74,471</b>         | <b>74,350</b>         | <b>56,304</b>           | <b>57,918</b>           |
| <b>Surplus before other gains and losses</b>        |      | <b>5,037</b>          | <b>2,326</b>          | <b>7,588</b>            | <b>232</b>              |
| Loss on disposal of fixed assets                    |      | (3,087)               | (253)                 | (3,091)                 | (253)                   |
| Movement in value of investments                    | 14   | (18)                  | 2                     | (18)                    | 2                       |
| Unrealised (loss)/gain on endowments                | 15   | (388)                 | 8                     | (388)                   | 8                       |
| <b>Surplus/(deficit) for the year</b>               |      | <b>1,544</b>          | <b>2,083</b>          | <b>4,091</b>            | <b>(11)</b>             |
| Actuarial gain/(loss) in respect of pension schemes |      | 2,879                 | (5,236)               | 2,879                   | (5,236)                 |
| <b>Total comprehensive income for the year</b>      |      | <b>4,423</b>          | <b>(3,153)</b>        | <b>6,970</b>            | <b>(5,247)</b>          |
| <b>Represented by:</b>                              |      |                       |                       |                         |                         |
| Endowment comprehensive income for the year         |      | (343)                 | (145)                 | (343)                   | (145)                   |
| Unrestricted comprehensive income for the year      |      | 4,766                 | (3,008)               | 7,313                   | (5,102)                 |
|                                                     |      | <b>4,423</b>          | <b>(3,153)</b>        | <b>6,970</b>            | <b>(5,247)</b>          |

All items of income and expenditure relate to continuing activities.

# Statement of Changes in Reserves

Year ended 31 March 2016



|                                                             | Endowment    | Unrestricted   | TOTAL          |
|-------------------------------------------------------------|--------------|----------------|----------------|
| Group                                                       | £'000        | £'000          | £'000          |
| <b>Balance at 1 April 2014</b>                              | 4,014        | 6,068          | 10,082         |
| Surplus/(deficit) from the income and expenditure statement | (153)        | 2,226          | 2,073          |
| Other comprehensive income                                  | 8            | (5,234)        | (5,226)        |
| <b>Total comprehensive income for the year</b>              | <b>(145)</b> | <b>(3,008)</b> | <b>(3,153)</b> |
| <b>Balance at 1 April 2015</b>                              | 3,869        | 3,060          | 6,929          |
| Surplus/(deficit) from the income and expenditure statement | 45           | 1,905          | 1,950          |
| Other comprehensive income                                  | (388)        | 2,861          | 2,473          |
| <b>Total Comprehensive income for the year</b>              | <b>(343)</b> | <b>4,766</b>   | <b>4,423</b>   |
| <b>Balance at 31 March 2016</b>                             | <b>3,526</b> | <b>7,826</b>   | <b>11,352</b>  |
| <b>Company</b>                                              |              |                |                |
| <b>Balance at 1 April 2014</b>                              | 4,014        | 5,443          | 9,457          |
| Surplus/(deficit) from the income and expenditure statement | (153)        | 132            | (21)           |
| Other comprehensive income                                  | 8            | (5,234)        | (5,226)        |
| <b>Total Comprehensive income for the year</b>              | <b>(145)</b> | <b>(5,102)</b> | <b>(5,247)</b> |
| <b>Balance at 1 April 2015</b>                              | 3,869        | 341            | 4,210          |
| Surplus from the income and expenditure statement           | 45           | 4,452          | 4,497          |
| Other comprehensive income                                  | (388)        | 2,861          | 2,473          |
| <b>Total Comprehensive income for the year</b>              | <b>(343)</b> | <b>7,313</b>   | <b>6,970</b>   |
| <b>Balance at 31 March 2016</b>                             | <b>3,526</b> | <b>7,654</b>   | <b>11,180</b>  |

# Balance Sheet

## At 31 March 2016



|                                                       |      | Group           |                 | Company         |                 |
|-------------------------------------------------------|------|-----------------|-----------------|-----------------|-----------------|
|                                                       | Note | 2016<br>£000    | 2015<br>£000    | 2016<br>£000    | 2015<br>£000    |
| <b>Non-current assets</b>                             |      |                 |                 |                 |                 |
| Intangible assets                                     | 11   | 720             | 664             | 720             | 664             |
| Negative goodwill arising from College merger         | 12   | (37,726)        | (41,264)        | (37,726)        | (41,264)        |
| Fixed assets                                          | 13   | 87,806          | 96,669          | 87,806          | 96,669          |
| Listed Investments                                    | 14   | 154             | 172             | 154             | 172             |
| Endowment asset investments                           | 15   | 3,526           | 3,869           | 3,526           | 3,869           |
|                                                       |      | <u>54,480</u>   | <u>60,110</u>   | <u>54,480</u>   | <u>60,110</u>   |
| <b>Current assets</b>                                 |      |                 |                 |                 |                 |
| Stocks                                                | 16   | 2,501           | 2,649           | 2,501           | 2,649           |
| Debtors                                               | 17   | 13,175          | 9,338           | 10,213          | 5,285           |
| Assets held for resale                                |      | 1,155           | -               | 1,155           | -               |
| Cash and cash equivalents                             |      | 7,652           | 9,867           | 6,266           | 9,063           |
| <b>Total current assets</b>                           |      | <u>24,483</u>   | <u>21,854</u>   | <u>20,135</u>   | <u>16,997</u>   |
| <b>Creditors: amounts falling due within one year</b> | 18   | <u>(18,968)</u> | <u>(20,593)</u> | <u>(14,792)</u> | <u>(18,455)</u> |
| <b>Net current assets/(liabilities)</b>               |      | <u>5,515</u>    | <u>1,261</u>    | <u>5,343</u>    | <u>(1,458)</u>  |
| <b>Total assets less current liabilities</b>          |      | <u>59,995</u>   | <u>61,371</u>   | <u>59,823</u>   | <u>58,652</u>   |
| <b>Creditors: amounts falling due after one year</b>  | 19   | <u>(31,336)</u> | <u>(35,171)</u> | <u>(31,336)</u> | <u>(35,171)</u> |
| <b>Provisions</b>                                     |      |                 |                 |                 |                 |
| Other provisions                                      | 22   | (1,105)         | (1,226)         | (1,105)         | (1,226)         |
| Pension provisions                                    | 29   | (16,202)        | (18,045)        | (16,202)        | (18,045)        |
| <b>Total Net Assets</b>                               |      | <u>11,352</u>   | <u>6,929</u>    | <u>11,180</u>   | <u>4,210</u>    |
| <b>Reserves</b>                                       |      |                 |                 |                 |                 |
| <b>Restricted reserve</b>                             |      |                 |                 |                 |                 |
| Endowment reserve                                     | 15   | 3,526           | 3,869           | 3,526           | 3,869           |
| <b>Unrestricted reserves</b>                          |      |                 |                 |                 |                 |
| Income and expenditure reserve                        |      | 7,826           | 3,060           | 7,654           | 341             |
| <b>Total Reserves</b>                                 |      | <u>11,352</u>   | <u>6,929</u>    | <u>11,180</u>   | <u>4,210</u>    |

The financial statements were approved on 8 December 2016 and signed on behalf of the Board by:

Patrick Machray  
Chairman

Wayne Powell  
Principal and Chief Executive

# Group Cash Flow Statement

## For the Year Ended 31 March 2016



|                                                                |      | 2016           | 2015         |
|----------------------------------------------------------------|------|----------------|--------------|
|                                                                | Note | £000           | £000         |
| <b>Net cash (outflow)/inflow from operating activities</b>     | 23   | (1,920)        | 1,777        |
| Return on investments and servicing of finance                 | 24   | 15             | 49           |
| Capital expenditure and financial investment                   | 25   | (121)          | 852          |
| Financing                                                      | 26   | (189)          | (63)         |
| (Decrease)/increase in cash in the year                        |      | <u>(2,215)</u> | <u>2,615</u> |
| <b>Reconciliation of net cash flow to movement in net debt</b> |      |                |              |
| (Decrease)/increase in cash in the year                        | 27   | (2,215)        | 2,615        |
| (Increase) in debt and leasing finance                         | 27   | <u>(61)</u>    | <u>(205)</u> |
| (Decrease)/increase in net cash                                |      | (2,276)        | 2,410        |
| Net cash at 1 April                                            | 27   | <u>9,514</u>   | <u>7,104</u> |
| Net cash as at 31 March                                        | 27   | <u>7,238</u>   | <u>9,514</u> |

# Statement of Principal Accounting Policies



## Statement of compliance

SRUC is a company limited by guarantee incorporated in Scotland. The registered office is West Mains Road, Edinburgh EH9 3JG.

The group's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Group for the year ended 31 March 2016.

## Basis of Preparation

These financial statements have been prepared under the historic cost convention, modified to include listed investments at their market value, and have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. The College is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

The financial statements of SRUC were authorised for issue by the Board of Directors on 7 October 2016. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the group and rounded to the nearest £'000.

## Basis of Consolidation

The group financial statements include SRUC and its subsidiary and quasi-subsidiary undertakings. Intra-group transactions are eliminated on consolidation. The activities of the Student Representative Council have not been consolidated as SRUC has no financial interest and no control or significant influence over policy decisions.

## Transition to 2015 SORP

SRUC is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements.

## Transitional relief

On transition to FRS 102 from previous UK GAAP, the group and company have taken advantage of transitional relief as follows:

## Business combinations

The group has elected not to apply Section 19 Business Combinations and Goodwill to business combinations that were effected before the date of transition to FRS 102. No adjustment has been made to the carrying value of goodwill and intangible assets subsumed within goodwill have not been separately recognised.

## Investment in subsidiaries

The company has elected to treat the carrying amount on investments in subsidiaries under previous UK GAAP at the date of transition as deemed cost on transition to FRS 102.

## Lease incentives

The group and company have not applied paragraphs 20.15A or 20.25A to lease incentives where the lease commenced before the date of transition to FRS 102. It has continued to recognise any residual benefit or cost associated with these lease incentives on the same basis that applied prior to transition to FRS 102.

An explanation of how the transition to 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 32.

## Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. It is the view of the directors that there are no significant or material accounting judgements:

The following are the Groups key sources of estimation uncertainty:

### Pension

The costs of defined benefit pension plans and unfunded pension benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the evaluation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.



# Statement of Principal Accounting Policies



## Judgements and key sources of estimation uncertainty (cont'd)

In determining the appropriate discount rate, management considers the interest rates of corporate bonds with at least AA rating with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables.

### *Goodwill and intangible assets*

The group establishes a reliable estimate of the useful life of goodwill arising on business combinations by using external valuers. This estimate is based mainly on the remaining useful lives of the assets and is reassessed annually to ensure the value to the business has not been impaired.

## Income Recognition

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied. This is typically in line with work done and hence costs incurred. Where applicable, surplus is calculated on a prudent basis to reflect the proportion of work carried out at the year end. Full provision for losses is made in the year in which the losses are first foreseen.

## Income Recognition (cont'd)

Project Expenditure recognised over amounts invoiced is reflected within debtors as 'Amounts recoverable on contracts'. The excess of Project Income received over amounts recognised as revenue is reflected within creditors as 'Payments Received in Advance'

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Comprehensive Income over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the statement of income and expenditure on a receivable basis.

Funds SRUC receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of SRUC where SRUC is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

## Grant funding

Grant funding including Scottish Funding Council education grant, research grants from government sources, grants (including research grants) from non government sources are recognised as income when SRUC is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Grants (including research grants) from non government sources are recognised in income when SRUC is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

## Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when SRUC is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when SRUC is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms other restriction applied to the individual endowment fund.

# Statement of Principal Accounting Policies



## Donations and endowments (cont'd)

There are two main types of donations and endowments identified within reserves:

1. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.
2. Unrestricted donations.

## Capital grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when SRUC is entitled to the funds subject to any performance related conditions being met.

## Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to SRUC. Any unused benefits are accrued and measured as the additional amount SRUC expects to pay as a result of the unused entitlement.

## Land and Buildings

Land and buildings are stated at cost. Freehold land is not depreciated. Freehold buildings, including any subsequent capital expenditure, are depreciated over their expected useful economic life to SRUC of up to 50 years. Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Buildings acquired on merger have been valued at depreciated replacement cost which is deemed to be fair value on acquisition. Land acquired on merger has been valued at market value.

Borrowing costs which are directly attributable to the construction of land and buildings are capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

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

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Scottish Government maintains an interest in tangible fixed assets funded by capital grants from them.

## Equipment

Equipment costing less than £5,000 per individual item or group of related items is written off in the year of acquisition. All capitalised equipment is stated at cost.

Capitalised equipment is depreciated on a straight line basis over its useful life as follows:

- |                                                        |              |
|--------------------------------------------------------|--------------|
| • Motor Vehicles                                       | 4 years      |
| • Computer and other equipment                         | 5 – 8 years  |
| • Equipment acquired for specific research or projects | Project Life |

## Software

Software is capitalised at cost where the software is directly involved with the creation of an asset, or is an identifiable support to the business. Capitalised software is depreciated over 5 years. Software that is not capitalised is instead treated as a consumable, and is expensed during the year of purchase.

## Accounting for Business Combinations

SAC merged with Barony College, Elmwood College and Oatridge College on 1 October 2012. The merger was accounted for by the "acquisition method of accounting" in order to comply with FRS6, Acquisitions and Mergers. Fair values are attributable to the net separable assets and liabilities. The benefit arising as a consequence of no consideration having been paid by SAC for the net value of the assets acquired is included in the consolidated balance sheet as negative goodwill as a deduction from tangible and intangible fixed assets. The fair value of the benefit arising in relation to non-monetary assets is released to the income and expenditure account over the periods in which the non-monetary assets are recovered, whether through disposals or depreciation. The release is aligned with the corresponding depreciation charge relating to the assets.

# Statement of Principal Accounting Policies



## Investments

Endowment asset investments relate to restricted endowments held in Trusts controlled by SRUC and are included in the balance sheet at valuation. Income less expenditure and net movements in the valuation are included in the Statement of Comprehensive Income and Expenditure.

Other listed investments are included at market value.

## Stocks

Stocks are stated at the lower of their cost or net realisable value. Taxation

## Taxation

SRUC is a charity within the meaning of Part 1, chapter 2, s7 of the Charities and Trustee Investment (Scotland) Act 2005 and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly the Institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA 2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 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

SRUC receives no similar exemption in respect of Value Added Tax, the irrecoverable element of which is charged to the income & expenditure account.

SRUC's subsidiary companies are subject to Corporation Tax and VAT in the same way as any commercial organisation. Surpluses where they arise are passed by way of gift aid to SRUC.

## Cash Flows and cash equivalents

Cash flows comprise increases or decreases in cash. Cash includes cash in hand and at the bank, deposits repayable on demand and bank overdrafts but excludes any assets held as endowment asset investments. Liquid resources include term deposits held as part of SRUC's treasury management activities but exclude any assets held as endowment asset investments.

## Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the 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 & expenditure for the financial year.

## Provisions, Contingent Liabilities and Contingent Assets

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

The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risk specific to the liability. Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios: possible rather than present obligation; a possible rather than a probable outflow of economic benefit; an inability to reliably measure the possible outflow. Contingent assets are disclosed by way of a note, where there is a possible, rather than a present, asset arising from a past event.

## Agency Arrangements

Funds which SRUC receives and disburses as paying agent on behalf of a funding body or other body, where SRUC is exposed to minimal risk or enjoys minimal economic benefit related to the receipt and subsequent disbursement of the funds, are excluded from the income and expenditure account.

## Pensions

Retirement benefits to employees of the SRUC Group are provided by seven superannuation schemes being: the Research Council Pension Scheme (RCPS), the SRUC Group Pension Plan, the Citrus Pension Plan, the Dumfries and Galloway Council Pension Fund (DGCPF), the Fife Council Pension Fund (FCPF), the Lothian Pensions Fund (LPF) and Scottish Teachers' Superannuation Scheme (STSS).

# Statement of Principal Accounting Policies



## Pensions (cont'd)

The RCPS scheme is a defined benefit scheme contracted out of the State Earnings Related Scheme. Contributions to the scheme are made in accordance with an agreed funding model and recognised in the income statement.

The Group Pension Plan is a defined contribution scheme. Obligations for contributions are recognised as an expense in the income statement in the periods during which service are rendered by employees.

The Citrus Scheme and the local government pension schemes' (DGCPF, FCPF and LPF) are defined benefit plans. Under defined benefit plans, SRUC's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by SRUC. SRUC recognises a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which SRUC is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

## Leases

Costs in respect of operating leases are charged on a straight line basis to the income statement over the lease term. Any lease premium or incentives are spread over the minimum lease term.

Leasing agreements which transfer to SRUC substantially all the benefits and risks of ownership of an asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability of the lease term. Any lease premium or incentives are spread over the minimum lease term.

## Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to SRUC, are held as a permanently restricted fund which SRUC must hold in perpetuity. Other restricted reserves include balances where the donor has designated a specific purpose and therefore SRUC is restricted in the use of these funds.

# Notes to the Financial Statements



## 1. Scottish Government Grants

|                                      | 2016<br>Group<br>£000 | 2015<br>Group<br>£000 | 2016<br>Company<br>£000 | 2015<br>Company<br>£000 |
|--------------------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| Recurrent grant                      |                       |                       |                         |                         |
| Research and development             | 6,682                 | 6,648                 | 6,551                   | 6,648                   |
| Advisory                             | 7,312                 | 7,373                 | 7,305                   | 7,374                   |
|                                      | <u>13,994</u>         | <u>14,021</u>         | <u>13,856</u>           | <u>14,022</u>           |
| Release from deferred capital grants |                       |                       |                         |                         |
| Buildings (note21)                   | 3,183                 | 2,233                 | 3,183                   | 2,233                   |
| Equipment (note21)                   | 2,104                 | 942                   | 2,104                   | 942                     |
|                                      | <u>19,281</u>         | <u>17,196</u>         | <u>19,143</u>           | <u>17,197</u>           |

## 2. Scottish Funding Council

|                                              | 2016<br>Group<br>£000 | 2015<br>Group<br>£000 | 2016<br>Company<br>£000 | 2015<br>Company<br>£000 |
|----------------------------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| Education                                    | 19,781                | 19,783                | 19,674                  | 19,780                  |
| Research                                     | 699                   | -                     | 699                     | -                       |
| Merger funding and strategic support funding | -                     | 1,062                 | -                       | 1,062                   |
| Release from deferred capital grants         |                       |                       |                         |                         |
| Buildings (note 21)                          | 196                   | 769                   | 196                     | 769                     |
| Equipment (note21)                           | 683                   | 93                    | 683                     | 93                      |
|                                              | <u>21,359</u>         | <u>21,707</u>         | <u>21,252</u>           | <u>21,704</u>           |

## 3. Tuition Fees and Education Contracts

|                                   | 2016<br>Group<br>£000 | 2015<br>Group<br>£000 | 2016<br>Company<br>£000 | 2015<br>Company<br>£000 |
|-----------------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| Home and EU higher education fees | 2,788                 | 2,724                 | 2,788                   | 2,724                   |
| Rest of UK                        | 335                   | 240                   | 335                     | 240                     |
| Non-EU students                   | 68                    | 84                    | 68                      | 84                      |
| UK further education students     | 50                    | 99                    | 50                      | 99                      |
|                                   | <u>3,241</u>          | <u>3,147</u>          | <u>3,241</u>            | <u>3,147</u>            |
| Education contracts               | 2,378                 | 1,637                 | 2,364                   | 1,637                   |
| Short course fees                 | 696                   | 912                   | 697                     | 854                     |
|                                   | <u>6,315</u>          | <u>5,696</u>          | <u>6,302</u>            | <u>5,638</u>            |

# Notes to the Financial Statements



## 4. Research Grants and Contracts

|                   | 2016         | 2015         | 2016         | 2015         |
|-------------------|--------------|--------------|--------------|--------------|
|                   | Group        | Group        | Company      | Company      |
|                   | £000         | £000         | £000         | £000         |
| European union    | 751          | 635          | 755          | 607          |
| Research councils | 1,308        | 1,091        | 1,308        | 1,091        |
| UK public bodies  | 2,786        | 2,900        | 1,069        | 981          |
| Other             | 3,664        | 4,024        | 497          | 952          |
|                   | <u>8,509</u> | <u>8,650</u> | <u>3,629</u> | <u>3,631</u> |

## 5. Advisory and Consultancy Contracts

|                                  | 2016          | 2015          | 2016         | 2015         |
|----------------------------------|---------------|---------------|--------------|--------------|
|                                  | Group         | Group         | Company      | Company      |
|                                  | £000          | £000          | £000         | £000         |
| Consultancies and subscriptions  | 9,485         | 9,224         | 34           | 143          |
| Analytical services              | 3,011         | 2,827         | 1,380        | 1,371        |
| Farm financial statements scheme | 888           | 817           | 19           | 817          |
| Publications                     | 61            | 65            | -            | -            |
|                                  | <u>13,445</u> | <u>12,933</u> | <u>1,433</u> | <u>2,331</u> |

## 6. Other Operating Income

|                                      | 2016          | 2015          | 2016          | 2015         |
|--------------------------------------|---------------|---------------|---------------|--------------|
|                                      | Group         | Group         | Company       | Company      |
|                                      | £000          | £000          | £000          | £000         |
| Residences, catering and conferences | 2,328         | 2,650         | 2,270         | 2,506        |
| Sales of farm products               | 3,537         | 4,232         | -             | 819          |
| Rents                                | 1,076         | 1,248         | 858           | 918          |
| Other income                         | 3,617         | 2,308         | 8,964         | 3,350        |
|                                      | <u>10,558</u> | <u>10,438</u> | <u>12,092</u> | <u>7,593</u> |

## 7. Staff Costs

|                       | 2016          | 2015          | 2016          | 2015          |
|-----------------------|---------------|---------------|---------------|---------------|
|                       | Group         | Group         | Company       | Company       |
|                       | £000          | £000          | £000          | £000          |
| Wages and salaries    | 34,952        | 35,255        | 34,465        | 35,124        |
| Social security costs | 2,913         | 2,871         | 2,831         | 2,861         |
| Other pension costs   | 4,375         | 4,019         | 3,643         | 4,005         |
|                       | <u>42,240</u> | <u>42,145</u> | <u>40,939</u> | <u>41,990</u> |

# Notes to the Financial Statements



## 7. Staff Costs (cont'd)

The average monthly number of persons (including Executive Directors) employed by SRUC during the period, expressed as full-time equivalent was:

|                                              | 2016         | 2015         |
|----------------------------------------------|--------------|--------------|
|                                              | Number       | Number       |
| Academic departments                         | 295          | 283          |
| Research grants and contracts                | 251          | 255          |
| Administration and central services          | 98           | 95           |
| Premises and estates                         | 59           | 61           |
| Residencies, catering and conferences        | 14           | 14           |
| Other including income generating operations | 392          | 370          |
|                                              | <u>1,109</u> | <u>1,078</u> |

The number of staff, including Executive Directors and Principal and Chief Executive, who received remuneration in the following ranges excluding employers' pension contributions was:

|                      | Group 2016          |                       | Group 2015          |                       |
|----------------------|---------------------|-----------------------|---------------------|-----------------------|
|                      | Number<br>Directors | Number<br>Other Staff | Number<br>Directors | Number<br>Other Staff |
| £70,001 to £80,000   | -                   | 7                     | -                   | 7                     |
| £80,001 to £90,000   | -                   | 6                     | -                   | 8                     |
| £90,001 to £100,000  | -                   | 1                     | -                   | 1                     |
| £100,001 to £110,000 | -                   | 2                     | -                   | -                     |
| £130,001 to £140,000 | 1                   | -                     | 1                   | -                     |
| £140,001 to £150,000 | -                   | -                     | 1                   | -                     |
| £180,001 to £190,000 | 1                   | -                     | 1                   | -                     |
|                      | <u>2</u>            | <u>16</u>             | <u>3</u>            | <u>16</u>             |

### Key management personnel

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the college. The costs below represent the costs of the members of the Executive Management Team (EMT) for the period. Staff costs include compensation paid to key management personnel.

|                                       | 2016       | 2015       |
|---------------------------------------|------------|------------|
|                                       | £000       | £000       |
| Key management personnel compensation | <u>865</u> | <u>954</u> |

# Notes to the Financial Statements



## 8. Directors' Remuneration

|                                                                                               | 2016        | 2015        |
|-----------------------------------------------------------------------------------------------|-------------|-------------|
| The number of Executive Directors during the year including the Principal and Chief Executive | 3           | 4           |
|                                                                                               | <b>£000</b> | <b>£000</b> |
| Salaries                                                                                      | 370         | 502         |
| Fees (Non-Executive Directors)                                                                | 118         | 154         |
| Pension contributions                                                                         | 74          | 79          |
|                                                                                               | <u>562</u>  | <u>735</u>  |
| The emoluments of Acting Principal and Chief Executive:                                       |             |             |
| Remuneration                                                                                  | 190         | 187         |
| Pension                                                                                       | 34          | 35          |
|                                                                                               | <u>224</u>  | <u>222</u>  |

A proportion of the Non-Executive Directors fees are recharged to a subsidiary undertaking.

## 9. Analysis of total operating expenditure by activity

|                                              | 2016<br>Group<br>£000 | 2015<br>Group<br>£000 | 2016<br>Company<br>£000 | 2015<br>Company<br>£000 |
|----------------------------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| Academic departments                         | 13,957                | 14,739                | 13,761                  | 14,569                  |
| Research grants and contracts                | 16,796                | 16,324                | 11,939                  | 11,258                  |
| Administration and central services          | 6,531                 | 7,079                 | 5,910                   | 4,662                   |
| Premises and estates                         | 7,242                 | 7,169                 | 6,422                   | 6,211                   |
| Residencies, catering and conferences        | 2,724                 | 2,620                 | 2,345                   | 2,409                   |
| Other including income generating operations | 23,128                | 21,630                | 11,991                  | 14,020                  |
| Depreciation                                 | 4,466                 | 4,559                 | 4,309                   | 4,559                   |
| Release of negative goodwill                 | (3,734)               | (1,655)               | (3,734)                 | (1,655)                 |
| Impairment of fixed assets                   | 2,106                 | 34                    | 2,106                   | 34                      |
|                                              | <u>73,216</u>         | <u>72,499</u>         | <u>55,049</u>           | <u>56,067</u>           |
| Other operating expenditure includes:        |                       |                       |                         |                         |
| Operating lease rentals                      | 948                   | 1,183                 |                         |                         |
| Fees charged by external auditors:           |                       |                       |                         |                         |
| Audit fee                                    | 85                    | 85                    |                         |                         |
| Audit-related assurance services             | 26                    | 32                    |                         |                         |
| Financial advisory in respect of FRS102      | 44                    | 28                    |                         |                         |
| Tax compliance services                      | 22                    | 53                    |                         |                         |
| Tax advisory services                        | 120                   | 21                    |                         |                         |
| Fees charged by internal auditors:           |                       |                       |                         |                         |
| Internal audit services                      | 57                    | 61                    |                         |                         |
| Tax advisory services                        | 20                    | -                     |                         |                         |



# Notes to the Financial Statements



## 10. Interest and other finance costs

|                                       | Group and company |            |
|---------------------------------------|-------------------|------------|
|                                       | 2016              | 2015       |
|                                       | £000              | £000       |
| Loan interest                         | 2                 | 7          |
| Finance lease interest                | 24                | -          |
| Net interest charge – pension schemes | 613               | 563        |
|                                       | <u>639</u>        | <u>570</u> |

## 11. Intangible fixed assets

|                                  | Group and company |
|----------------------------------|-------------------|
|                                  | 2016              |
|                                  | £000              |
| At 1 April 2015                  | 664               |
| Additions in year                | 188               |
| Amortisation charge for the year | (132)             |
| At 31 March 2016                 | <u>720</u>        |

## 12. Negative Goodwill

|                                        | Group and company |                 |
|----------------------------------------|-------------------|-----------------|
|                                        | 2016              | 2015            |
|                                        | £000              | £000            |
| At 1 April 2015                        | (41,264)          | (42,919)        |
| Release of negative goodwill to income | 3,734             | 1,655           |
| Transfer from deferred capital grants  | (196)             | -               |
| At 31 March 2016                       | <u>(37,726)</u>   | <u>(41,264)</u> |

# Notes to the Financial Statements



## 13. Tangible fixed assets

### Group and company

|                     | Freehold<br>land and<br>buildings<br>£000 | Leased<br>buildings<br>£000 | Equipment<br>£000 | Vehicles<br>£000 | Total<br>£000 |
|---------------------|-------------------------------------------|-----------------------------|-------------------|------------------|---------------|
| Cost or fair value: |                                           |                             |                   |                  |               |
| 1 April 2015        | 110,846                                   | 5,037                       | 32,193            | 1,688            | 149,764       |
| Additions           | 903                                       | -                           | 2,134             | -                | 3,037         |
| Disposals           | (7,041)                                   | -                           | (17,530)          | (58)             | (24,629)      |
| 31 March 2016       | 104,708                                   | 5,037                       | 16,797            | 1,630            | 128,172       |
| Depreciation:       |                                           |                             |                   |                  |               |
| 1 April 2015        | 23,834                                    | 544                         | 27,341            | 1,376            | 53,095        |
| Charge for year     | 2,864                                     | 136                         | 1,214             | 120              | 4,334         |
| Disposals           | (1,609)                                   | -                           | (17,502)          | (58)             | (19,169)      |
| Impairment          | 2,089                                     | -                           | 17                | -                | 2,106         |
| 31 March 2016       | 27,178                                    | 680                         | 11,070            | 1,438            | 40,366        |
| Net Book Value:     |                                           |                             |                   |                  |               |
| 31 March 2016       | 77,530                                    | 4,357                       | 5,727             | 192              | 87,806        |
| 1 April 2015        | 87,012                                    | 4,493                       | 4,852             | 312              | 96,669        |

A detailed review of buildings was performed during the year which identified certain assets as at the end of their useful life. The assets were impaired and the charge to the income and expenditure account was matched by a release of deferred capital grant where applicable.

Included in freehold land and buildings is land of £13.9m which is not depreciated.

## 14. Investments

### Group and company

|                       | 2016<br>£000 | 2015<br>£000 |
|-----------------------|--------------|--------------|
| At 1 April 2015       | 172          | 170          |
| Movement on valuation | (18)         | 2            |
| At 31 March 2016      | 154          | 172          |

## 15. Endowments

### Group and company

|                                                  | 2016<br>£000 | 2015<br>£000 |
|--------------------------------------------------|--------------|--------------|
| At 1 April 2015                                  | 3,869        | 4,014        |
| Donations                                        | 10           | -            |
| Income                                           | 134          | 145          |
| Disbursements                                    | (99)         | (298)        |
| (Depreciation)/appreciation of asset investments | (388)        | 8            |
| At 31 March 2016                                 | 3,526        | 3,869        |

# Notes to the Financial Statements



## 16. Stocks

### Group and company

|                  | 2016         | 2015         |
|------------------|--------------|--------------|
|                  | £000         | £000         |
| Farm stocks      | 2,462        | 2,612        |
| Goods for resale | 39           | 37           |
|                  | <u>2,501</u> | <u>2,649</u> |

## 17. Debtors

|                                         | Group         |              | Company       |              |
|-----------------------------------------|---------------|--------------|---------------|--------------|
|                                         | 2016          | 2015         | 2016          | 2015         |
|                                         | £000          | £000         | £000          | £000         |
| Trade receivables                       | 5,719         | 4,276        | 2,161         | 1,548        |
| Prepayments and other debtors           | 4,304         | 2,612        | 3,560         | 2,296        |
| Amounts recoverable on contracts        | 3,152         | 2,450        | 1,408         | 1,441        |
| Amounts due from fellow Group Companies | -             | -            | 3,084         | -            |
|                                         | <u>13,175</u> | <u>9,338</u> | <u>10,213</u> | <u>5,285</u> |

## 18. Creditors: amounts falling due within one year

|                                       | Group         |               | Company       |               |
|---------------------------------------|---------------|---------------|---------------|---------------|
|                                       | 2016          | 2015          | 2016          | 2015          |
|                                       | £000          | £000          | £000          | £000          |
| Trade creditors                       | 3,157         | 2,654         | 2,387         | 2,160         |
| Other taxation and social security    | 2,081         | 2,224         | 2,081         | 2,224         |
| Other creditors                       | 908           | 680           | 879           | 641           |
| Accruals                              | 5,837         | 6,547         | 5,675         | 6,438         |
| Payment received in advance           | 5,516         | 6,218         | 2,301         | 3,432         |
| Loans (note 20)                       | 24            | 54            | 24            | 54            |
| Finance leases (note 28)              | 94            | 54            | 94            | 54            |
| Deferred capital grant (note 21)      | 1,351         | 2,162         | 1,351         | 2,162         |
| Amounts due to fellow group companies | -             | -             | -             | 1,290         |
|                                       | <u>18,968</u> | <u>20,593</u> | <u>14,792</u> | <u>18,455</u> |

# Notes to the Financial Statements



## 19. Creditors: amounts falling due after more than one year

|                                   | Group and company |               |
|-----------------------------------|-------------------|---------------|
|                                   | 2016              | 2015          |
|                                   | £000              | £000          |
| Deferred capital grants (note 21) | 31,039            | 34,911        |
| Loans                             | 10                | 31            |
| Obligations under finance leases  | 287               | 214           |
| VAT (Lennartz) creditor           | -                 | 15            |
|                                   | <u>31,336</u>     | <u>35,171</u> |

## 20. Loans

Loans repayable, included in creditors are analysed as follows:

|                                                        | Group and company |           |
|--------------------------------------------------------|-------------------|-----------|
|                                                        | 2016              | 2015      |
|                                                        | £000              | £000      |
| Wholly repayable within 5 years - Lloyds TSB           | -                 | 44        |
| Wholly repayable within 5 years - Energy Savings Trust | 34                | 41        |
|                                                        | <u>34</u>         | <u>85</u> |

## 21. Deferred capital grants

|           | Group and company |                       |              |                   |               |
|-----------|-------------------|-----------------------|--------------|-------------------|---------------|
|           | £000              | £000                  | £000         | £000              | £000          |
|           | 1 April 2015      | Transfers/ repayments | Received     | Released to SOCIE | 31 March 2016 |
| Buildings | 31,366            | (196)                 | -            | (3,379)           | 27,791        |
| Equipment | 5,707             | (79)                  | 1,758        | (2,787)           | 4,599         |
|           | <u>37,073</u>     | <u>(275)</u>          | <u>1,758</u> | <u>(6,166)</u>    | <u>32,390</u> |

Disclosed as:

|                                     |               |
|-------------------------------------|---------------|
| Creditors due within one year       | 1,351         |
| Creditors due in more than one year | 31,039        |
|                                     | <u>32,390</u> |

Deferred capital grants receivable in the year are as follows:

|                          | Total        |
|--------------------------|--------------|
|                          | £000         |
| Scottish Government      | 1,090        |
| Scottish Funding Council | 668          |
|                          | <u>1,758</u> |

# Notes to the Financial Statements



## 22. Provision for liabilities

### Group and company

|                                                 | 2016         | 2015         |
|-------------------------------------------------|--------------|--------------|
|                                                 | £000         | £000         |
| Unfunded pension liability                      |              |              |
| At 1 April 2015                                 | 1,226        | 1,238        |
| Paid in the year                                | (116)        | (82)         |
| Transfer to/from income and expenditure account | (5)          | 70           |
| At 31 March 2016                                | <u>1,105</u> | <u>1,226</u> |

SRUC has an obligation in respect of former employees who have retired early or for whom an enhanced pension has been provided. A valuation of the unfunded liability was carried out at 31 March 2016 by Hymans Robertson LLP, an independent actuarial firm.

## 23. Reconciliation of Group operating surplus to net cash (outflow)/inflow from operating activities

|                                                      | 2016           | 2015         |
|------------------------------------------------------|----------------|--------------|
|                                                      | £000           | £000         |
| Operating surplus                                    | 1,544          | 2,083        |
| Loss on sale of fixed assets                         | 3,087          | 253          |
| Unrealised movements on investments                  | 406            | (10)         |
| Pension costs less contributions payable             | 1,036          | 725          |
| Depreciation (note 11, 13)                           | 4,466          | 4,559        |
| Impairment (note 13)                                 | 2,106          | 34           |
| Goodwill release (note 12)                           | (3,734)        | (1,655)      |
| Deferred capital grants released to income (note 21) | (6,166)        | (4,037)      |
| Interest received                                    | (41)           | (56)         |
| Endowment income                                     | (45)           | 153          |
| Interest paid (note 10)                              | 26             | 7            |
|                                                      | <u>2,685</u>   | <u>2,056</u> |
| Decrease in stock                                    | 148            | 266          |
| (Increase) in debtors                                | (3,453)        | (495)        |
| (Decrease) in creditors                              | (1,300)        | (50)         |
| Net cash (outflow)/inflow from operating activities  | <u>(1,920)</u> | <u>1,777</u> |

## 24. Returns on investments and servicing of finance

|                                                                     | 2016      | 2015      |
|---------------------------------------------------------------------|-----------|-----------|
|                                                                     | £000      | £000      |
| Bank Interest received                                              | 41        | 56        |
| Interest paid on loans and finance charges (note 10)                | (26)      | (7)       |
| Net cash inflow from return on investments and servicing of finance | <u>15</u> | <u>49</u> |

# Notes to the Financial Statements



## 25. Capital expenditure and financial investment

|                                                        | 2016<br>£000 | 2015<br>£000 |
|--------------------------------------------------------|--------------|--------------|
| Purchase of tangible fixed assets                      | (2,786)      | (2,650)      |
| Purchase of intangible fixed asset                     | (188)        | -            |
| Proceeds of sale of tangible fixed assets              | 1,174        | 1,689        |
| Deferred capital grants received less repaid (note 21) | 1,679        | 1,813        |
| Net cash (outflow)/ inflow from investing activities   | <u>(121)</u> | <u>852</u>   |

## 26. Financing

|                                              | 2016<br>£000 | 2015<br>£000 |
|----------------------------------------------|--------------|--------------|
| Repayment of bank loans                      | (51)         | (63)         |
| Capital element of finance leases repaid     | (138)        | -            |
| Net cash (outflow) from financing activities | <u>(189)</u> | <u>(63)</u>  |

## 27. Analysis of changes in net funds

|                          | At<br>1 April<br>2015<br>£000 | Net<br>Change<br>£000 | At<br>31 March<br>2016<br>£000 |
|--------------------------|-------------------------------|-----------------------|--------------------------------|
| Cash in hand and at bank | 9,867                         | (2,215)               | 7,652                          |
| Debt                     | (85)                          | 51                    | (34)                           |
| Finance leases           | (268)                         | (112)                 | (380)                          |
| Net cash                 | <u>9,514</u>                  | <u>(2,276)</u>        | <u>7,238</u>                   |

## 28. Obligations under leases and hire purchase contracts

Amounts due under finance leases and hire purchase contracts:

|                            | Group and company |              |
|----------------------------|-------------------|--------------|
|                            | 2016<br>£000      | 2015<br>£000 |
| Amounts payable:           |                   |              |
| Within one year            | 94                | 54           |
| Between two and five years | <u>287</u>        | <u>214</u>   |

# Notes to the Financial Statements



## 28. Obligations under leases and hire purchase contracts (cont'd)

As at 31 March 2016, the annual commitment under non-cancellable operating leases was as follows:

|                               | Land and Buildings |              | Equipment    |              |
|-------------------------------|--------------------|--------------|--------------|--------------|
|                               | 2016<br>£000       | 2015<br>£000 | 2016<br>£000 | 2015<br>£000 |
| Operating lease which expire: |                    |              |              |              |
| Within one year               | 269                | 336          | 3            | 7            |
| In two to five years          | 410                | 189          | -            | 16           |
| In over five years            | -                  | 43           | -            | -            |

## 29. Pensions

As an employer, SRUC has a number of differing pension arrangements for staff and the various schemes are listed below:

- i) The Research Councils' Pension Scheme
- ii) The SRUC Group Pension Plan
- iii) The Citrus Pension Plan
- iv) The local Government Pension Funds: Dumfries and Galloway Council Pension Fund, Fife Council Pension Fund and Lothian Council Pension Fund
- v) Scottish Teachers Superannuation Scheme (STSS)

A summary of FRS102 pension liabilities is included at the end of section iv) of this note.

### i) The Research Councils' Pension Scheme ("RCPS")

RCPS is a defined benefit scheme. The RCPS is an analogous scheme to the Principal Civil Service Pension Scheme (PCSPS) being the main government scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The RCPS is a multi-employer scheme and it is not possible to identify each participating institution's share of the underlying assets and liabilities of the scheme hence contributions to the scheme are accounted for as if it were a defined contribution scheme. Employees provide 1.5% of their salary as widows or widowers benefit. Funding for the scheme comes primarily from Scottish Government with a monthly contribution from SRUC. From 1 October 1998 this scheme was closed to new employees of SRUC. The agreed contribution rates are 26% for employers and 3 to 8.05% for employees.

### ii) The SRUC Group Pension Plan

The Group Pension Plan is a defined contribution scheme. The assets are held separately from those of the Company in an independently administered fund through Standard Life. The contributions are set at 5% for employees and 10% for SRUC. From 1 January 2001 to 31 December 2004 this scheme was closed to new employees of SRUC. This scheme was reopened to new employees from 1 January 2005.

## 29. Pensions (Cont'd)

### iii) The Citrus Pension Plan

The Citrus scheme is a defined benefit scheme and was offered to new entrants from 1 June 2001 until the scheme's closure to new entrants on 31 December 2004. The scheme was reopened to new members on 1 October 2015. The assets of the scheme are held in a separately administered fund. The last formal triennial valuation was performed as at 31 March 2014 by a professionally qualified actuary. The contributions are set at 9 and 9.5% for employees and 15 and 14.5% for the employer. Additional payments of £265k per annum are made into the plan.

The valuation used for FRS 102 disclosures has been based on the most recent triennial actuarial valuation which took place on 31 March 2014 and updated by Hymans Robertson in order to assess the assets and liabilities of the scheme at 31 March 2016. SRUC has been advised by the trustees as to the financial effects of this which need to be duly considered. Scheme assets are stated at their market values at the respective balance sheet dates.

### Assumptions

The financial assumptions used to calculate the scheme liabilities under FRS 102 are:

| Weighted average assumptions used to determine benefit obligations | 2016  | 2015  |
|--------------------------------------------------------------------|-------|-------|
| Price inflation (RPI)                                              | 3.20% | 3.10% |
| Price inflation (CPI)                                              | 2.20% | 2.10% |
| Rate of pension increase (RPI capped at 5%)                        | 3.10% | 3.05% |
| Rate of pension increase (RPI capped at 2.5%)                      | 2.20% | 2.15% |
| Rate of pension increase (CPI capped at 2.5%)                      | 1.80% | 1.70% |
| Rate of salary increase                                            | 4.20% | 4.10% |
| Discount rate                                                      | 3.60% | 3.35% |

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used in the accounting assessments.

|                                           | 2016 | 2015 |
|-------------------------------------------|------|------|
| Member Age 65 (current life expectancy)   | 24.3 | 24.1 |
| Member Age 50 (life expectancy at age 65) | 25.0 | 24.8 |

The assets and liabilities of the scheme at 31 March 2016 are:

|                                                     | Fair value<br>at 2016 |
|-----------------------------------------------------|-----------------------|
| <b>Assets</b>                                       |                       |
| Scheme assets at fair value                         | £000                  |
| Equities                                            | 19,320                |
| Corporate Bonds                                     | 2,266                 |
| Cash                                                | 1,904                 |
| <b>Total</b>                                        | <u>23,490</u>         |
| <b>Present value of scheme liabilities</b>          | <u>(34,162)</u>       |
| <b>Deficit in the scheme- net pension liability</b> | <u>(10,672)</u>       |



# Notes to the Financial Statements



## 29. Pensions (Cont'd)

### iii) The Citrus Pension Plan (cont'd)

|                                                                          | 2016<br>£000    | 2015<br>£000    |
|--------------------------------------------------------------------------|-----------------|-----------------|
| <b>Analysis of the amount charged to operating surplus</b>               |                 |                 |
| Current service cost                                                     | 1,407           | 969             |
| Administration costs                                                     | 73              | 91              |
|                                                                          | <u>1,480</u>    | <u>1,060</u>    |
| <b>Analysis of the amount charge to other finance income</b>             |                 |                 |
| Interest income on Plan assets                                           | 796             | 903             |
| Interest charge on Plan liabilities                                      | (1,133)         | (1,205)         |
| <b>Net charge to other finance income</b>                                | <u>(337)</u>    | <u>(302)</u>    |
| <b>Analysis of amount recognised in Other Comprehensive Income (OCI)</b> |                 |                 |
| Actual return on assets excluding amounts included in net interest       | (1,482)         | 1,719           |
| Actuarial gains/(losses) on plan obligations                             | 2,035           | (4,788)         |
| <b>Remeasurement gain/(loss) recognised in OCI</b>                       | <u>553</u>      | <u>(3,069)</u>  |
| <b>Analysis of movement in the deficit</b>                               |                 |                 |
| Deficit at 1 April 2015                                                  | (10,665)        | (7,271)         |
| Contributions paid by the College                                        | 1,257           | 1,037           |
| Current service cost                                                     | (1,480)         | (1,060)         |
| Other finance charge                                                     | (337)           | (302)           |
| Gain/(loss) recognised in comprehensive income                           | 553             | (3,069)         |
| <b>Deficit at 31 March 2016</b>                                          | <u>(10,672)</u> | <u>(10,665)</u> |
| <b>Change in benefit obligation</b>                                      |                 |                 |
| Opening defined benefit obligation                                       | 33,984          | 27,168          |
| Current service cost                                                     | 1,407           | 969             |
| Administration cost                                                      | 73              | 91              |
| Interest cost                                                            | 1,133           | 1,205           |
| Scheme participants' contributions                                       | 22              | 21              |
| Actuarial (gains)/losses                                                 | (2,035)         | 4,788           |
| Benefits paid                                                            | (422)           | (258)           |
| <b>Benefit obligation as at 31 March</b>                                 | <u>34,162</u>   | <u>33,984</u>   |
| <b>Change in scheme assets</b>                                           |                 |                 |
| Opening fair value of scheme assets                                      | 23,319          | 19,897          |
| Interest income                                                          | 796             | 903             |
| Member contributions                                                     | 22              | 21              |
| Employer contributions                                                   | 1,257           | 1,037           |
| Actual return on assets                                                  | (1,482)         | 1,719           |
| Benefits paid                                                            | (422)           | (258)           |
| <b>Fair value of scheme assets as at 31 March</b>                        | <u>23,490</u>   | <u>23,319</u>   |
| <b>Net amount recognised</b>                                             | <u>(10,672)</u> | <u>(10,665)</u> |

## 29. Pensions (Cont'd)

### iv) The local government pension schemes

The valuation used for FRS 102 disclosures has been based on the most recent triennial actuarial valuation which took place on 31 March 2014 and updated by Hymans Robertson in order to assess the assets and liabilities of the scheme at 31 March 2016. SRUC has been advised by the trustees as to the financial effects of this which need to be duly considered. Scheme assets are stated at their market values at the respective balance sheet dates.

The following disclosures are required under FRS 102 for the local government pension schemes. Retirement benefits are recognised when they are earned and not when they are due to be paid.

#### Fife Council Pension Fund ("FCPF")

The FCPF is a funded defined benefit pension scheme where contributions are held in a trust separately from SRUC and was closed to new members on 1 October 2012. A formal valuation of the scheme was carried out as at 31 March 2014. The contributions are set at 5.5% to 7% for employees and 20.2% for the employer.

#### Dumfries and Galloway Council Pension Fund (DGCPF)

The DGCPF is a funded defined benefit pension scheme where contributions are held in a trust separately from SRUC and was closed to new entrants on 1 October 2012. A valuation was carried out as at 31 March 2014. The contributions are set at 5.5% to 7% for employees and 22.3% for the employer.

#### Lothian Pension Fund (LPF)

The LPF is a funded defined benefit pension scheme where contributions are held in a trust separately from SRUC and was closed to new members on 1 October 2012. A formal valuation of the scheme was carried out as at 31 March 2014. The contributions are set at 5.5 to 6.8% for employees and 25.1% for the employer.

### Assumptions

The financial assumptions used to calculate the scheme liabilities for all three schemes under FRS 102 are:

| Weighted average assumptions used to determine benefit obligations | 2016  | 2015   |
|--------------------------------------------------------------------|-------|--------|
| Price inflation (RPI)                                              | 3.20% | 3.10%  |
| Price inflation (CPI)                                              | 2.20% | 2.20%  |
| Rate of pension increase                                           | 2.20% | 2.40%  |
| Rate of salary increase                                            | 4.20% | 4.30%* |
| Discount rate                                                      | 3.50% | 3.20%  |

\*Fife Council scheme was 3.50%

# Notes to the Financial Statements



## 29. Pensions (Cont'd)

### iv) The local government pension schemes

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used in the accounting assessments.

|                                                  | Fife Council Pension fund |      | Dumfries and Galloway Pension fund |      | Lothian Council Pension fund |      |
|--------------------------------------------------|---------------------------|------|------------------------------------|------|------------------------------|------|
|                                                  | 2016                      | 2015 | 2016                               | 2015 | 2016                         | 2015 |
| Male Member Age 65 (life expectancy at age 65)   | 22.0                      | 22.0 | 22.7                               | 22.7 | 22.1                         | 22.1 |
| Male Member Age 45 (life expectancy at age 65)   | 24.1                      | 24.1 | 24.5                               | 24.5 | 24.2                         | 24.2 |
| Female Member Age 65 (life expectancy at age 65) | 23.7                      | 23.7 | 24.0                               | 24.0 | 23.7                         | 23.7 |
| Female Member Age 45 (life expectancy at age 65) | 26.4                      | 26.4 | 26.7                               | 26.7 | 26.3                         | 26.3 |

The assets and liabilities of the three schemes at 31 March 2016 are:

|                                                     | 2016<br>£000    |
|-----------------------------------------------------|-----------------|
| <b>Assets</b>                                       |                 |
| <b>Scheme assets at fair value</b>                  |                 |
| Equities                                            | 15,491          |
| Corporate Bonds                                     | 3,810           |
| Property                                            | 2,246           |
| Cash                                                | 866             |
| <b>Total</b>                                        | <b>22,413</b>   |
| <b>Present value of scheme liabilities</b>          | <b>(27,943)</b> |
| <b>Deficit in the scheme- net pension liability</b> | <b>(5,530)</b>  |

|                                                                          | 2016<br>£000 | 2015<br>£000   |
|--------------------------------------------------------------------------|--------------|----------------|
| <b>Analysis of the amount charged to operating surplus</b>               |              |                |
| Current service cost                                                     | 794          | 642            |
| <b>Analysis of the amount charge to other finance income</b>             |              |                |
| Interest income on Plan assets                                           | 711          | 1,178          |
| Interest charge on Plan liabilities                                      | (987)        | (1,238)        |
| <b>Net charge to other finance income</b>                                | <b>(276)</b> | <b>(60)</b>    |
| <b>Analysis of amount recognised in Other Comprehensive Income (OCI)</b> |              |                |
| Actual return on assets excluding amounts included in net interest       | 711          | 1,178          |
| Actuarial gains/(losses) on plan obligations                             | 2,817        | (3,301)        |
| <b>Remeasurement gain/(loss) recognised in OCI</b>                       | <b>3,528</b> | <b>(2,123)</b> |

# Notes to the Financial Statements



## 29. Pensions (Cont'd)

### iv) The local government pension schemes (cont'd)

|                                                   | 2016<br>£000   | 2015<br>£000   |
|---------------------------------------------------|----------------|----------------|
| <b>Analysis of movement in the deficit</b>        |                |                |
| Deficit at 1 April 2015                           | (7,380)        | (4,813)        |
| Contributions paid by the College                 | 525            | 603            |
| Current service cost                              | (725)          | (742)          |
| Other finance charge                              | (276)          | 87             |
| Gain/(loss) recognised in comprehensive income    | 2,326          | (2,515)        |
| Deficit at 31 March 2016                          | <u>(5,530)</u> | <u>(7,380)</u> |
| <b>Change in benefit obligation</b>               |                |                |
| Opening defined benefit obligation                | 29,635         | 24,962         |
| Current service cost                              | 725            | 742            |
| Interest cost                                     | 987            | 1,129          |
| Scheme participants' contributions                | 130            | 139            |
| Actuarial (gains)/losses                          | (2,817)        | 3,301          |
| Benefits paid                                     | (717)          | (638)          |
| <b>Benefit obligation as at 31 March</b>          | <u>27,943</u>  | <u>29,635</u>  |
| <b>Change in scheme assets</b>                    |                |                |
| Opening fair value of scheme assets               | 22,255         | 20,149         |
| Interest income                                   | 711            | 1,216          |
| Member contributions                              | 130            | 139            |
| Employer contributions                            | 525            | 603            |
| Actual return on assets                           | (491)          | 786            |
| Benefits paid                                     | (717)          | (638)          |
| <b>Fair value of scheme assets as at 31 March</b> | <u>22,413</u>  | <u>22,255</u>  |

### Summary of FRS 102 net Pension liabilities

|                                    | 2016<br>£000    | 2015<br>£000    |
|------------------------------------|-----------------|-----------------|
| Citrus Pension Plan                | (10,672)        | (10,665)        |
| Dumfries and Galloway Pension Fund | (1,930)         | (2,631)         |
| Fife Council Pension Fund          | (2,316)         | (2,702)         |
| Lothian Council Pension Fund       | (1,284)         | (2,047)         |
| <b>Total net pension liability</b> | <u>(16,202)</u> | <u>(18,045)</u> |

### v) Scottish Teachers Superannuation Scheme (STSS)

The STSS is an unfunded multi-employer defined benefit scheme and it is not possible to identify each institution's share of the notional assets and liabilities. Therefore, contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the results for the year is the contribution payable to the scheme for that year. The agreed contribution rates for future years are 17.2% for employers and range from 6.4% - 12.4% for employees.

## 29. Pensions (Cont'd)

### v) Scottish Teachers Superannuation Scheme (STSS) (cont'd)

The last actuarial valuation of the scheme for which information is available was at 31<sup>st</sup> March 2012. The results of this valuation were rolled forward to give a liability at 31 March 2015. The assumptions that have had the most significant effect on this valuation and other relevant information are as follows below.

|                              |       |
|------------------------------|-------|
| Rate of increase in salaries | 4.20% |
| Inflation assumption         | 2.20% |
| Discount rate                | 3.55% |

The actuarial value of the STSS scheme at 31 March 2015 showed a deficiency of £29.4 billion.

The pensions charge recorded by SRUC during the accounting period was equal to the contributions payable.

As the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates will be set by the schemes actuary at a level to meet the cost of pensions as they accrue.

## 30. Investments in subsidiaries

The group and company holds 100% of the nominal value of ordinary share capital (or exercises control over) the following entities:

| Name of company                                                      | Nature of business                           |
|----------------------------------------------------------------------|----------------------------------------------|
| SAC Commercial Limited                                               | Commercial consultancy, research and trading |
| Equestrian Facilities Scotland Limited                               | Provision of equestrian facilities           |
| The SAC Foundation                                                   | Charitable Trust                             |
| The results of these entities are consolidated in the Group accounts |                                              |

## 31. Bursary and other student support funds

|                          | Bursary | Hardship | EMA's | Other | 2016<br>Total<br>£000 | 2015<br>Total<br>£000 |
|--------------------------|---------|----------|-------|-------|-----------------------|-----------------------|
| 1 April 2015             | 48      | 43       | (20)  | 1     | 72                    | (22)                  |
| Received during the year | 1,501   | 243      | 115   | -     | 1,859                 | 1,880                 |
| Refunded to SFC          | (99)    | (13)     | -     | -     | (112)                 | (273)                 |
| Expenditure              | (1,366) | (152)    | (162) | -     | (1,680)               | (1,513)               |
| 31 March 2016            | 84      | 121      | (67)  | 1     | 139                   | 72                    |

Bursary and other student support funds are available solely for students; SRUC acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

# Notes to the Financial Statements



## 31. Bursary and other student support funds (cont'd)

### Childcare Funds

|                  | 2016<br>£000 | 2015<br>£000 |
|------------------|--------------|--------------|
| 1 April 2015     | 269          | 362          |
| Received in year | 71           | 185          |
| Refunded to SFC  | (289)        | (146)        |
| Expenditure      | (79)         | (132)        |
| 31 March 2016    | (28)         | 269          |

## 32. Transition to FRS 102 and the 2015 SORP

The group and company transitioned to FRS102 from previously extant UK GAAP as at 1 April 2014. The impact from the transition to FRS 102 is as follows:

|                                         | 31 March 2014  |                  | 31 March 2015  |                  |
|-----------------------------------------|----------------|------------------|----------------|------------------|
| Financial position                      | Group<br>£'000 | Company<br>£'000 | Group<br>£'000 | Company<br>£'000 |
| <b>Reserves</b>                         |                |                  |                |                  |
| Total reserves under 2007 SORP          | 11,383         | 10,758           | 8,194          | 5,475            |
| Fixed assets componentisation           | (1,040)        | (1,040)          | (1,104)        | (1,104)          |
| Deferred capital grants                 | 1,099          | 1,099            | 1,099          | 1,099            |
| Employee leave accrual 32(a)            | (1,360)        | (1,360)          | (1,260)        | (1,260)          |
| Total effect of transition to FRS 102   | (1,301)        | (1,301)          | (1,265)        | (1,265)          |
| Total reserves under 2015 SORP          | 10,082         | 9,457            | 6,929          | 4,210            |
| <b>Net assets presentation</b>          |                |                  |                |                  |
| Total net assets under 2007 SORP        | 51,943         | 51,318           | 47,148         | 44,429           |
| Changes to reserves                     | (1,301)        | (1,301)          | (1,265)        | (1,265)          |
| Disclosing deferred grants as creditors | (40,560)       | (40,560)         | (38,954)       | (38,954)         |
| Net assets under 2015 SORP              | 10,082         | 9,457            | 6,929          | 4,210            |