SRUC

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2014

Registered Number: SC103046
Charity Number: SC003712

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SRUC

The directors present the Strategic Report of SRUC for the year ended 31 March 2014. 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 for the collective benefit of stakeholders.

The format of the financial statements is in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education.

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 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 2014 the main education and research activities operated from 6 campuses in Aberdeen, Ayr, Cupar, Dumfries, Edinburgh and Oatridge. Consultancy services are delivered through a network of 25 Farm and Rural Business Services offices, 8 Veterinary Disease Surveillance Centres and the Central Diagnostic Laboratory. In addition, SRUC operated 8 farms, 4 of which are used for research purposes and 3 for education.

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 14, membership of the Board is detailed on page 7 and the Board's corporate governance arrangements are detailed on pages 11-13. 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 the 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 2014, is taken to include SRUC, SAC Commercial Ltd, the SAC Foundation and Equestrian Facilities Scotland Ltd.

Objectives and Strategy

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'***.

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 exists to deliver comprehensive skills, education and business support for Scotland's land-based industries, founded on world class and sector leading research, education and consultancy. SRUC's strategic plan demonstrates the vision and commitment of the organisation to work with all stakeholders at local, national and international levels, leading innovation and sustainable development in agriculture and rural sectors.

SRUC's five year strategic plan details the four key aims and objectives to be delivered, which are:

Aim 1: Building a culture of excellence, through:

- Delivery of a sector leading research programme with cross-disciplinary outputs;
- Securing a research environment and profile that creates undergraduate and post graduate student demand and stimulates staff recruitment from the UK and overseas.

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

- Delivery of a programme of research, consultancy and knowledge transfer;
- Growing an international portfolio of courses and post graduate research;
- Provision of a first class service to our consultancy clients.

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

- Delivery of an innovative and stimulating portfolio of education that enables students to achieve academic excellence coupled with career excellence;
- Working with employers, stakeholders and other professional bodies to ensure that SRUC's outputs are responsive to the needs of our customers and students.

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

- Being an exemplary, socially responsible employer nurturing equality, inclusion and diversity;
- Establishing new income streams to enable the development of world class facilities;
- Minimising the environmental footprint and support the obligations under the Universities and Colleges Climate Commitment for Scotland.

The Key Performance Indicators to monitor progress against the five year strategic plan are:

Aim 1:

- Achieve international quality or equivalent assessment of research from Scottish Government research portfolio review 2014;
- Achieve taught degree and research degree awarding powers, independently or through collaboration;
- Achieve compliance with SFC Outcome agreement and annual compliance with existing validating bodies, QAA and Education Scotland.

Aim 2:

- Achieve top 3 place in Research Power ranking for Agriculture, Veterinary and Food Science panel in REF 2014;
- Increase the number of enrolled research students by 100% and postgraduate students by 75% by 2018;
- SRUC maintained as the provider of choice to Scottish Government.

Aim 3:

- Complete the National Strategy for land-based tertiary education in 2014;
- Achieve student number targets per annual SFC Outcome agreements and SRUC targets for RUK and overseas students, with the development of 4 new postgraduate taught courses;
- Achieve a position in the top 3 in sector within the National Student Survey by 2015.

Aim 4:

- Achieve and maintain award status in Investors in people; Athena Swan Bronze and Concordat in HR Excellence;
- Plan and deliver strategically focused infrastructure programme to improve quality of staff and student accommodation and facilities;
- Deliver a 5% financial surplus across the institution, including growing philanthropic receipts to £250k p.a. by 2018;
- Establish baseline CO_2 emissions and set 15% reduction targets in support of Scottish Government climate change targets.

Financial Highlights

	2014 £m	2013 £m
Income	**84**	67
Expenditure	**82**	63
Retained surplus	**2**	4
Net Assets	**52**	56

Results for the Year

The income and expenditure account for the year to 31 March 2014 reflects a full year of transactions for the four colleges that merged to form SRUC. The comparative figures include the results of the former SAC for the twelve months to 31 March 2013 together with the results of Barony, Oatridge and Elmwood for the six months period to 31 March 2013, making a comparison with the prior year figures very difficult.

In addition, income and expenditure includes transactions relating to the non-land based courses at Elmwood for the first few months of the financial year until they transferred to Fife College on 1 August 2013.

The results reflect a difficult trading period where, in common with many of our customers, our farms were affected by significant increases in input costs which were not reflected in the prices paid for the outputs. In addition, there were a number of one off and merger costs which have also had an impact on the results. Funding was made available for some merger costs from the Scottish Funding Council but in the year ended 31 March 2014 in excess of £0.5m of such costs were borne by SRUC. The surplus also reflects receipt of non-recurring income and the release of accruals no longer required. Adjusting for these amounts produces an underlying operating loss of £0.2m.

A Voluntary Severance Scheme was available to staff and while a number have taken advantage of the scheme, the full savings will not be realised until the next financial year.

Following a detailed condition survey on the SRUC estate, an impairment review was performed on the properties. This resulted in impairment to the value of fixed assets of £2.3m. As these assets were grant funded, the net amount of the impairment charged to the Income and Expenditure account was £Nil. SRUC has a large estate spread over a wide geographic area to meet the needs of staff and students. A detailed conditions survey has been undertaken across the property portfolio to prioritise capital spend and will be used to assist in drafting the Infrastructure Strategy which is currently underway.

For the year ended 31 March 2014 SAC Commercial Ltd made a profit of £1,330k and after payment of £1,953k of gift aid, had a retained loss of £624k. Equestrian Facilities Scotland Ltd made a retained profit of £61k.

The performance against the financial KPIs was as follows:

As a % of turnover	**Target**	**Actual**
Underlying Operating Surplus\(Loss)	2.3%	(0.3)%
Operating Cashflow	4.5%	(4.2)%
Staff Costs*	<57%	56%

* The Turnover figure used to calculate the operating loss and staff cost percentages excludes non recurring income, merger funding and the release of deferred capital grants

Balance Sheet

The net book value of fixed assets is £101.6m. Additions in the year amounted to £3.4m and related to a number of smaller additions to buildings and equipment. As mentioned previously, an impairment review resulted in an additional depreciation charge of £2.3m in respect of buildings.

Endowments

The value of SRUC's endowment asset investments has increased from £3.9m to £4.0m in line with improved performance of global stock markets. Performance of the fund managers continues to be monitored.

Cash & Treasury Management

The cash balance held by SRUC was £7.3m, a decrease of £5.1m, which can be attributed in the main to capital expenditure and an operating cash outflow. The revolving credit facility from the Clydesdale Bank has expired and there are three loans outstanding of £148k.

Impact of Pension Liability and FRS17

The total pension liability is £12.1m. This is an increase of £2.6m from 2013 and relates to the four final salary pension schemes operated by SRUC.

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
  - CAP reform
- Reductions in the levels of Research funding to 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.
- Inability to embed standard practices in all areas across the merged organisation.

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.

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 EU 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 Committee and the full Board. SRUC has developed Risk Registers for each of the operating divisions.

Future Developments and Factors Influencing Performance

In order to address the risks set out above and also to ensure future sustainability, SRUC is continuing to focus on ensuring that its Academic, Commercial and Estates Strategy are closely aligned. Further focus on efficiency measures will be undertaken to deliver cost savings to the organisation.

SRUC operates in areas of increasing public concern – food supply, the environment and climate change, all of which are significant challenges on a global scale. SRUC is well positioned to secure additional research, and to attract more students to these areas. Furthermore, SRUC believe its unique corporate makeup, where a very strong consulting business feeds funding back into the academic base, is believed to be an effective model.

SRUC

On 19 March 2014, SRUC and the University of Edinburgh announced that they were in discussions to explore the opportunities which might arise from a closer degree of collaboration. Both Institutions see enhanced strategic alignment as an opportunity to further develop research, education and consultancy.

Janet D Swadling
Acting Chief Executive

28 August 2014

Directors Report

SRUC

Registered No: SC103046

The directors present their report for the year ended 31 March 2014

The current directors and those who held office during the year are:

	Date of Appointment	Date of Retirement	Status of Appointment
Mr L Borwick	8 Oct 2010	Oct 2018	Non-Executive
Professor G Bulfield CBE	4 Oct 2007	Oct 2015	Non-Executive
Mr J Cowens	11 Jan 2010	31 Aug 2014	Executive
Mr J Cumming CBE (Vice Chairman from Oct 2013)	1 Apr 2011	Oct 2015	Non-Executive
Mr J Gilliland OBE	4 Oct 2007	Oct 2014	Non-Executive
Mr R Howat	5 Oct 2012	Oct 2016	Non-Executive
Mr C Law (Student elected)	11 Oct 2013	30 Jun 2014	Non-Executive
Lord J Lindsay (Chairman from Oct 2007)	5 Oct 2005	Oct 2015	Non-Executive
Mr P Machray OBE (Vice Chairman from Oct 2012)	4 Oct 2007	Oct 2015	Non-Executive
Mr A Marshall (Vice Chairman from Oct 2012)	5 Oct 2012	Oct 2015	Non-Executive
Mr W Marshall	5 Oct 2012	Oct 2015	Non-Executive
Professor S McDaid, CBE	11 Oct 2013	Oct 2016	Non-Executive
Mr J McLaren	7 Oct 2011	10 Oct 2013	Non-Executive
Mr R Mercer	5 Oct 2012	14 May 2013	Non-Executive
Ms K Richards	11 Oct 2013	Oct 2016	Non-Executive
Professor G Simm	10 Dec 2009	n/a	Executive
Professor W Stevely CBE (Vice Chairman from Oct 2007)	5 Oct 2005	10 Oct 2013	Non-Executive
Ms J D Swadling	2 Oct 2001	n/a	Deputy Chief Executive*
Mr I Taylor (Staff elected)	5 Oct 2012	18 Jul 2014	Non-Executive
Professor R Webb	1 Apr 2012	30 Nov 2013	Chief Executive
Mr T Young	5 Oct 2012	Oct 2015	Non-Executive

**** Appointed Acting Chief Executive on 1 December 2013***

Non-Executive Directors are appointed for a term of up to four 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 eight years, the time period for which begins on his appointment as chairman.

SRUC

Communication with Staff

SRUC is conscious of the need to keep 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 monthly video broadcasts by the Acting 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 pro-active 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, transexualism or physical or mental disability, or any other discriminatory distinction. Information is maintained to enable appropriate data to be collated.

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.

Environmental Policy

In accordance with our Environmental Policy, SRUC maintains a commitment to:

- promote the protection of the environment;
- help mitigate against climate change;
- minimise any adverse impact of our activities, at all levels, directly and through our influence on others;
- integrate good environmental management policies and practices into every level of the organisation;
- be proactive in contributing to national climate change targets.

To achieve this, SRUC has established a structure for managing our environmental footprint – a key component of SRUC's strategy. In addition a Carbon Management Plan has been developed which sets a carbon reduction target in support of the Scottish Government's Climate Change aspirations and meets SRUC's obligations under the Universities and College Climate Commitment for Scotland.

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 an Integrated Management System (endorsed as part of our certification from BSI) that includes a programme of continual improvement incorporating good Environmental, Health & Safety and Quality professional practices into all aspects of its services.

All staff are encouraged to take ownership of the Integrated Management System and SRUC's trained internal auditors monitor the system ensuring its continued compliance with documented standards.

SAC Consulting and SRUC Research are certified to ISO 9001:2008. SRUC as an organisation is 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 (continued)

SRUC

Financial Policies

Creditors Policy

SRUC has agreed to follow the Better Payment Practice Code. As a business the 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 2014 there were 30 days (2013 – 42 days) of creditors outstanding. Interest paid under the Late Payment of Commercial Debts (Interest) Act 1998 amounted to nil (2013 nil).

Third Party Indemnity Insurance

SRUC has granted an indemnity to one or more of 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.

After making suitable enquiries, the directors have a reasonable expectation 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 2010 and Ernst & Young LLP were successful in securing the contract for three years to 31 January 2013 which has been subsequently extended to 31 January 2016. During 2009 internal audit services were tendered and KPMG were reappointed for three years with subsequent extensions to 31 March 2016.

Directors' Statement as to Disclosure of Information to 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 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 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 auditors are aware of that information.

This report was approved by the Board on 28 August 2014 and signed on its behalf by:

Lord J Lindsay
Chairman

Janet D Swadling
Acting Chief Executive

Corporate Governance Statement

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 2010 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 2010 compliance

In the opinion of the Board, SRUC complies with all the provisions of the UK Corporate Governance Code 2010 in so far as they apply to the higher education sector, and it has complied throughout the year ended 31 March 2014.

Statement of Compliance with the Scottish Code of Good HE Governance

The Scottish Code of Good HE Governance came in to force on 1 August 2013. All Universities will be expected to comply with the main principles and to observe the supporting guidelines. Work to identify and start to implement any required changes was carried out during the academic year 2013/14. In the opinion of the Board, SRUC complies in all material respects with the main 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.

Appointments and Remuneration Committee

The Appointments & Remuneration Committee considers nominations for new directors and 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 Committee

The Audit 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. Its sub committee, the Health and Safety Policy Committee, which is chaired by a non-executive director comments on strategic objectives for Health and Safety as proposed by the EMT and considers related compliance matters and legislative developments, with a view to providing resolution and guidance. It reports through the Audit Committee to the Board and meets a minimum of three times annually.

Corporate Governance Statement (continued)

SRUC

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 Estates Strategy. The Finance and General Purposes Committee is chaired by a Vice Chairman of the Board and meets a minimum of three times annually. Its sub committee, The Trusts Committee, which is chaired by a non-executive director is primarily concerned with the investment and disbursement of trust funds managed by the Group. It reports through the Finance and General Purposes Committee to the Board and meets annually.

The following committees provide advice and guidance to the Board. The terms "Education Board" and "Research Board" are a reflection of the seniority of these committees and not an indication of any corporate status.

Education Board

The Education Board is a senior level advisory committee which considers the overall strategic direction of education and teaching, and makes recommendations to the Board accordingly. It comprises non-executive and executive directors as well as nominated staff, student and experienced lay members. On behalf of the Board, it ensures that the delivery of all educational and training provision is of the highest standard and initiatives are continuously developed to meet emergent needs and opportunities. The following matters are reserved for the approval of the Education Board: new full time courses; termination of areas of curricular activity; and educational marketing strategy. It meets at least four times annually and is chaired by a non-executive director.

Research Board

The Research Board is a senior level advisory committee which advises the Board on the strategic direction of research, research enterprise, commercialisation and knowledge transfer and exchange (KTE). It is chaired by a non-executive director and comprises non-executive and executive directors as well as nominated staff, students and experienced lay members. On behalf of the Board it reviews research activity and strategic actions, ensures that SRUC meets benchmarks and standards and develops new opportunities and initiatives and advises on postgraduate student research activity.

SRUC Council Consultative Committees

The SRUC Council Consultative Committee 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.

Corporate Governance Statement (continued)

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 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 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 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 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 Executive Management Team and the Audit Committee.

The SRUC Board is of a view that there is an on-going process for identifying, evaluating and managing the SRUC's significant risks, and that it has been in place throughout the year ended 31 March 2014 and up to the date of approval of the annual report and financial statements.

Janet D Swadling
Acting Chief Executive

28 August 2014

Statement of the Responsibilities of the Board of SRUC

SRUC

The Board is responsible for ensuring that the affairs of the College 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 Auditor's Report to the Trustees and Members of SRUC

We have audited the Group and Charitable Company financial statements of SRUC for the year ended 31 March 2014 which comprise the Group Income and Expenditure Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes 1 to 33. 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).

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 14, 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 Annual Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

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 2014 and of the Group's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education; and
- have been 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.

Opinion on other matters prescribed by applicable regulations

In our opinion:

- as prescribed by the Companies Act 2006 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;
- funds from the Scottish Funding Council, grants and income for specific purposes and from other restricted funds administered by SRUC have, in all material respects, been applied only for the purposes for which they were received; and
- income has, in all material respects, been applied in accordance with the Further and Higher Education (Scotland) Act 1992, SRUC's policies and, where appropriate, in accordance with the Financial Memorandum between SRUC and RESAS and the Financial Memorandum between SRUC and the Scottish Funding Council.

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 charitable 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 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

James Bishop (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor), Edinburgh
28/8/14

Group Income and Expenditure Account

For the year ended 31 March 2014

SRUC

	Note	2014 £000	2013 £000 Restated
Income			
Scottish Government grants	1	19,756	16,105
Scottish Funding Council	2	22,466	14,540
Tuition fees and education contracts	3	5,784	4,382
Research grants and contracts	4	11,001	9,941
Advisory and consultancy contracts	5	13,847	13,961
Other operating income	6	11,190	8,278
Interest receivable		24	34
Total income		84,068	67,241
Expenditure			
Staff costs	7	42,053	36,301
Other operating expenditure	9	35,192	27,681
Exceptional costs- merger costs		1,140	1,121
- staff restructuring		2,034	566
Interest	10	364	276
Total expenditure		80,783	65,945
Surplus on continuing operations after depreciation of tangible fixed assets and release of negative goodwill		3,285	1,296
(Loss)/gain on disposal of fixed assets		(1,118)	2,994
Surplus for the year retained within reserves		2,167	4,290

All operations are continuing

Balance Sheets

At 31 March 2014

SRUC

		Group		Company	
		2014	2013	2014	2013
	Note	£000	£000	£000	£000
Fixed assets					
Tangible assets	11	101,598	106,895	101,594	106,890
Negative goodwill	12	(43,018)	(44,661)	(43,018)	(44,661)
Investments	13	170	142	170	142
Endowment asset investments	14	4,014	3,920	4,014	3,920
Current assets					
Stocks	15	2,915	2,962	2,915	2,962
Debtors	16	10,166	12,231	6,784	7,175
Assets held for resale		73	-	73	-
Investments: bank deposits		-	3,000	-	3,000
Cash in hand		7,252	9,488	6,165	8,171
Total current assets		20,406	27,681	15,937	21,308
Creditors: amounts falling due within one year	17	(17,786)	(27,369)	(13,938)	(22,262)
Net current assets/ (liabilities)		2,620	312	1,999	(954)
Total assets less current liabilities		65,384	66,608	64,759	65,337
Creditors: amounts falling due after one year	18	(119)	(156)	(119)	(156)
Provisions for liabilities	20	(1,238)	(1,272)	(1,238)	(1,272)
Net assets excluding pension liability		64,027	65,180	63,402	63,909
Pension liability	32	(12,084)	(9,458)	(12,084)	(9,458)
Net assets including pension liability		51,943	55,722	51,318	54,451
Deferred capital grants	21	40,560	44,487	40,560	44,487
Reserves					
Endowment	14	4,014	3,920	4,014	3,920
Revaluation reserve	22	52	24	52	24
General reserve excluding pension liability		19,401	16,749	18,776	15,478
Pension liability	32	(12,084)	(9,458)	(12,084)	(9,458)
General reserve including pension liability	23	7,317	7,291	6,692	6,020
Total funds		51,943	55,722	51,318	54,451

The financial statements were approved on 28 August 2014 and signed on behalf of the Board by:

Lord J Lindsay
Chairman

Janet D Swadling
Acting Chief Executive

Group Cash Flow Statement
For the Year Ended 31 March 2014

SRUC

	Note	2014 £000	2013 £000
Net cash (outflow)/inflow from operating activities	24	(3,400)	3,272
Return on investments and servicing of finance	25	(340)	(242)
Capital expenditure and financial Investment	26	(948)	4,656
Cash inflow on merger	27	-	6,089
Financing	28	(548)	(2,665)
Management of liquid resources	29	3,000	(3,000)
(Decrease)/increase in cash in the year		(2,236)	8,110

	Note	2014 £000	2013 £000
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the year	30	(2,236)	8,110
Decrease in debt and leasing finance	30	429	2,140
Decrease)/ increase in net cash		(1,807)	10,250
Net cash at 1 April	30	8,911	(1,339)
Net cash as at 31 March	30	7,104	8,911

Group Statement of Total Recognised Gains and Losses

For the year ended 31 March 2014

Surplus for the year		2,167	4,290
Net additions to endowments	14	8	3
Increase in endowments	14	86	504
Revaluation of investments	13	28	24
Actuarial loss in in respect of pension schemes		(2,141)	(892)
Total recognised gains and losses since last annual report		148	3,929
Reserves at 1 April		11,235	7,306
Reserves as 31 March		11,383	11,235

Statement of Principal Accounting Policies

SRUC

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 and applicable Accounting Standards.

An income and expenditure account on a company only basis is not presented for SRUC in line with the exemption available under Section 408 of the Companies Act 2006.

Basis of Consolidation

The group financial statements include SRUC and its subsidiary and quasi-subsidiary undertakings. 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.

Changes in Accounting Policies

There have been no material changes in SRUC's accounting policies during the year. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Income Recognition

Recurrent grants from The Scottish Government and the Scottish Funding Council (SFC) are recognised in the period in which they are receivable.

Income is recognised on both research and consulting contracts as consideration is earned. 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. 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'. All income from short-term deposits is credited to the income & expenditure account in the period in which it is earned.

Non-recurrent grants from The Scottish Government, SFC or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

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.

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.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance 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.

Scottish Government maintains an interest in tangible fixed assets funded by capital grant 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 other projects — Project Life

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to income & expenditure account over the expected useful economic life of the related equipment.

Software

It is SRUC's policy to capitalise software 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

The College 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 the College 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.

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 Total Recognised Gains and Losses.
Other listed investments are included at market value and increases in valuation are credited to a revaluation reserve.

Stocks

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

Taxation

SRUC is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly, SRUC is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the 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 Liquid Resources

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 the College receives and disburses as paying agent on behalf of a funding body or other body, where the College 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 of the College.

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).

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 charged to the income and expenditure account.

The Group Pension Plan is a defined contribution scheme. Contributions are charged in the income and expenditure account as they become payable in accordance with the rules of the scheme.

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

The DGCPF, FCPF and LPF are Local Government pension schemes providing benefits based on final pensionable pay. The assets of these plans are held in separate trustee administered funds. The defined benefit plan's assets are measured using market values. Pension plan liabilities are measured by an actuary using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the Group's defined benefit pension plans expected to arise from employee service in the period is charged to operating surplus. The expected return on the plan's assets and the increase during the period in the present value of the plan's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses

SRUC participates in the STSS pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of SRUC. SRUC is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the period. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit method and prospective benefits method. Payments to pensioners are charged against the provision. Average interest rates of 5.5% and inflation of 3.5% are assumed over the long-term future. Premature retirement compensation is financed by College funds and is not separately funded. Provision is made in the College accounts as calculated annually by an actuary using FRS 17 principals and any increase required in subsequent periods charged to Income and Expenditure Account.

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

Leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Leasing agreements which transfer to SRUC substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under financial leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Intra Group Transactions

Gains or losses on any intra group transactions are eliminated in full upon consolidation. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated.

Transactions with other Group undertakings which are eliminated on consolidation have not been disclosed, in line with the FRS 8 exemption.

SRUC

1. Scottish Government Grants

	Note	2014 £000	2013 £000
Recurrent grant			
Research and development		6,999	7,765
Advisory		7,161	6,833
		14,160	14,598
Release from deferred capital grants			
Buildings	21	4,490	643
Equipment	21	1,106	864
		19,756	16,105

Of the total release, £3,872k relates to the impairment or disposal of buildings.

The following represents amounts paid by Scottish Government in respect of their liabilities which SRUC administers on their behalf. These payments are not recognised in these financial statements.

Recurrent superannuation	1,546	1,725

2. Scottish Funding Council

	Note	2014	Restated 2013
Education		19,506	13,477
Merger funding		2,642	745
Release from deferred capital grants			
Buildings	21	225	225
Equipment	21	93	93
		22,466	14,540

The tables in Note 2 and Note 6 have been restated for 2013. Merger funding has been moved from Other Income to Scottish Funding Council to provide a more appropriate disclosure.

3. Tuition Fees and Education Contracts

	2014	2013
UK higher education contracts	3,032	2,459
Non-EU students	131	80
UK further education students	-	11
	3,163	2,550
Education contracts	1,484	811
Short course fees	1,137	1,021
	5,784	4,382

4. Research Grants and Contracts

	2014	2013
European union	2,711	2,726
Other	8,290	7,215
	11,001	9,941

SRUC

5. Advisory and Consultancy Contracts

	2014 £000	2013 £000
Consultancies and subscriptions	10,348	10,576
Analytical services	2,642	2,508
Farm financial statements scheme	790	790
Publications	67	87
	13,847	13,961

6. Other Operating Income

		Restated
Residences, catering and conferences	3,208	1,785
Sales of farm products	5,124	4,058
HE joint operations	124	127
Rents	1,220	1,070
Other income	1,514	1,238
	11,190	8,278

7. Staff Costs

Wages and salaries	35,135	30,704
Social security costs	3,002	2,550
Other pension costs	3,916	3,047
	42,053	36,301

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

	2014 Number	2013 Number
Academic departments	356	356
Research grants and contracts	270	282
Administration and central services	106	115
Premises and estates	68	20
Residencies, catering and conferences	17	17
Other including income generating operations	316	307
	1,133	1,097

7. Staff Costs (Cont'd)

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 2014		*Group 2013*	
	Number Directors	***Number Other Staff***	***Number Directors***	***Number Other Staff***
£70,001 to £80,000	-	5	-	4
£80,001 to £90,000	-	8	-	2
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	-	-	-	1
£110,001 to £120,000	-	1	1	-
£120,001 to £130,000	-	-	1	-
£130,001 to £140,000	2	-	1	-
£140,001 to £150,000	-	-	-	-
£150,001 to £160,000	1	-	-	-
£160,001 to £170,000	-	-	-	-
£180,001 to £190,000	-	-	-	-
£190,001 to £200,000	-	-	1	-
£280,000 to £290,000	1	-	-	-
	4	14	4	7

Analysis of the above staff costs by activity

	2014	**2013**
	£000	**£000**
Academic departments	11,719	10,625
Research grants and contracts	11,071	9,728
Administration and central services	4,254	4,167
Premises and estates	1,774	930
Residencies, catering and conferences	375	357
Other including income generating operations	12,860	10,494
	42,053	36,301

8. Directors' Remuneration

	2014	2013
	No	No
The number of Executive Directors during the year including the Principal and Chief Executive	4	4

	2014	2013
	£000	£000
Salaries	710	577
Fees (Non-Executive Directors)	135	144
Pension contributions	89	33
	934	754
Emoluments of Principal and Chief Executive	309	216
Remuneration	290	196
Pension	19	20

The emoluments of the Principal and Chief Executive include compensation for loss of office of £87,498.

9. Analysis of other operating expenditure by activity

	2014	2013
	£000	£000
Academic departments	3,111	4,226
Research grants and contracts	7,193	6,104
Administration and central services	2,517	2,884
Premises and estates	3,909	3,209
Residencies, catering and conferences	3,333	2,167
Other including income generating operations	10,342	8,298
Depreciation	4,708	3,630
Release of negative goodwill in respect of dep'n	(1,644)	(1,143)
Impairment of fixed assets	2,321	-
Release of negative goodwill in respect of stock	(598)	(1,694)
	35,192	27,681
Other operating expenditure includes:		
Operating lease rentals	128	131
Loss/ (gain) on exchange	2	(27)
Fees charged by external auditors:		
Audit of these financial statements	127	137
Taxation services*	116	145
Non-audit services**	17	208
Fees charged by internal auditors		
Internal audit services	50	39
Non-audit services***	177	220

* *Taxation services include fees in relation to ongoing VAT issues.*

** *Non-audit services include payments for the audit of research grant audits and hardship funds.*

*** *Non-audit services include pensions and actuarial advice which was funded by the merger grant.*

10. Interest payable

	2014	2013
	£000	£000
On loans repayable in less than five years	28	40
Net interest charge – pension schemes	336	236
	364	276

11. Tangible fixed assets

Group	*Freehold land and buildings £000*	*Leased buildings £000*	*Equipment £000*	*Vehicles £000*	*Total £000*
Cost or fair value:					
1 April 2013	111,774	5,037	31,528	1,724	150,063
Additions	1,918	-	1,263	176	3,357
Disposals	(2,476)	-	(131)	(238)	(2,845)
31 March 2014	111,216	5,037	32,660	1,662	150,575
Depreciation:					
1 April 2013	14,942	272	26,551	1,403	43,168
Charge for year	2,975	136	1,461	136	4,708
Disposals	(878)	-	(123)	(219)	(1,220)
Impairment	2,321	-	-	-	2,321
31 March 2014	19,360	408	27,889	1,320	48,977
Net Book Value:					
31 March 2014	91,856	4,629	4,771	342	101,598
1 April 2013	96,832	4,765	4,977	321	106,895

Included in the above figures are Equipment assets held in a subsidiary undertaking. The total cost is £11,000 with a net book value of £4,000 (2013- £5,000).

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.

SRUC

12. Negative Goodwill

	Group and company
	2014
	£000
At 1 April 2013	(44,661)
Adjustment to fair value	(599)
Release of negative goodwill to income	2,242
At 31 March 2014	(43,018)

The negative goodwill arose in the prior year in relation to the merger of Scottish Agricultural College, Barony College, Elmwood College and Oatridge College. Scottish Agricultural College was the host company for the merger and under relevant accounting standards acquisition accounting was applied. The negative goodwill represents the fair value of the assets acquired for no consideration.

The adjustment to fair value reflects the release of an accrual in respect of a potential liability on assets acquired as a result of the merger.

13. Investments

	Group and company	
	2014	2013
	£000	£000
At 1 April 2013	142	-
Acquired on merger	-	118
Appreciation of asset investments	28	24
At 31 March 2014	170	142

14. Endowment assets

At 1 April 2013	3,920	3,413
Donations	8	3
Income	140	129
Disbursements	(91)	(68)
Appreciation of asset investments	37	443
At 31 March 2014	4,014	3,920

15. Stocks

Farm stocks	2,888	2,927
Goods for resale	27	35
	2,915	2,962

16. Debtors

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Trade debtors	5,815	5,980	2,654	2,123
Prepayments and other debtors	1,614	1,746	1,263	1,286
Amounts recoverable on contracts	2,737	4,505	1,778	2,650
Amounts due from fellow group companies	-	-	1,089	1,116
	10,166	12,231	6,784	7,175

17. Creditors: amounts falling due within one year

	Note	Group		Company	
		2014 £000	2013 £000	2014 £000	2013 £000
Trade creditors		2,968	3,204	2,336	2,559
Other taxation and social security		1,884	3,090	1,884	3,090
Other creditors		2,605	3,078	2,470	2,930
Accruals		4,112	6,889	4,000	6,536
Payment received in advance		6,143	10,598	3,174	6,637
Loans	19	67	483	67	483
Finance leases		7	27	7	27
		17,786	27,369	13,938	22,262

18. Creditors: amounts falling due after more than one year

	Group and company	
	2014 £000	2013 £000
Loans	81	94
VAT (Lennartz) creditor	38	62
	119	156

SRUC

19. Loans

Loans repayable, included in creditors are analysed as follows:	Group and Company	
	2014	2013
Wholly repayable within 5 years-Lloyds TSB	97	134
Wholly repayable within 5 years - The Royal Bank of Scotland	-	443
Not wholly repayable within 5 years	51	-
	148	577

The loan from Lloyds TSB plc is repayable over 20 years at an interest rate of base rate plus 8.9%. A first ranking standard security has been granted in favour of Lloyds TSB plc over the land and buildings related to Sutton Halls, Aberdeen.

20. Provision for liabilities

Unfunded pension liability

At 1 April 2013	1,272	179
Acquired on merger	-	1,035
Paid in the year	(80)	(40)
Transfer from Income and expenditure account	46	98
At 31 March 2014	1,238	1,272

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 July 2014 by Hymans Robertson LLP, an independent actuarial firm.

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21. Deferred Capital Grants

	Group and Company
	£000
At 1 April 2013	
Buildings	40,892
Equipment	3,595
	44,487
Grants received:	
Buildings	-
Equipment	1,987
	1,987
Released to income and expenditure account	
Buildings	(4,715)
Equipment	(1,199)
	(5,914)
At 31 March 2014	
Buildings	36,177
Equipment	4,383
	40,560

Deferred capital grants received in the year are as follows:

	Total
	£000
Scottish Government	1,120
Scottish Funding Council	867
	1,987

22 Revaluation Reserve

	Group and Company £000
At 1 April 2013	24
Revaluation of fixed asset investments in the year	28
At 31 March 2014	52

23. General reserve

	Group £000	Company £000
At 1 April 2013	7,291	6,020
Surplus for the year	2,167	2,813
Actuarial loss recognised in the statement of recognised gains and losses	(2,141)	(2,141)
At 31 March 2014	7,317	6,692

24. Reconciliation of Group operating surplus to net cash inflow from operating activities

	Note	2014 £000	2013 £000
Operating surplus		3,285	1,296
Pension costs less contributions payable		215	(168)
Depreciation	11	4,708	3,630
Impairment	11	2,321	-
Goodwill release	12	(2,242)	(2,837)
Deferred capital grants released to Income	21	(5,914)	(1,825)
Interest received		(24)	(34)
Interest paid	10	364	276
		2,713	338
Decrease in stock		47	15
Decrease in debtors		1,961	177
(Decrease)/increase in creditors		(8,121)	2,742
Net cash (outflow)/ inflow from operating activities		(3,400)	3,272

25. Returns on investments and servicing of finance

	Note	2014 £000	2013 £000
Bank Interest received		24	34
Interest paid on loans and finance charges	10	(364)	(276)
Net cash outflow from return on investments and servicing of finance		(340)	(242)

26. Capital expenditure and financial investment

	Note	2014 £000	2013 £000
Purchase of tangible fixed assets		(3,357)	(1,531)
Proceeds of sale of tangible fixed assets		422	4,927
Deferred capital grants received	21	1,987	1,260
Net cash (outflow)/ inflow from investing activities		(948)	4,656

27. Acquisitions and disposals

	2014 £000	2013 £000
Net cash acquired	-	6,089
Net cash inflow upon merger	-	6,089

28. Financing

	2014 £000	2013 £000
Repayment of bank loans	(548)	(165)
Bank credit facility drawdown	-	(2,500)
Net cash outflow from financing activities	(548)	(2,665)

29. Management of liquid resources

	2014 £000	2013 £000
Transfer from/(to) bank investments	3,000	(3,000)
Net cash inflow/(outflow) from the management of liquid resources	3,000	(3,000)

30. Analysis of changes in net funds

	Note	At 1 April 2013 £000	Net Change £000	At 31 March 2014 £000
Cash in hand and at bank		9,488	(2,236)	7,252
Debt due after 1 year	18	(94)	13	(81)
Debt due within 1 year	17	(483)	416	(67)
		(577)	429	(148)
Net cash		8,911	(1,807)	7,104

31. Obligations under leases and hire purchase contract

Amounts due under finance leases and hire purchase contracts:

	Group and company	
	2014 £000	2013 £000
Amounts payable:		
Within one year	7	19
Between two and five years	-	16

As at 31 March 2014, the annual commitment under non-cancellable operating leases was as follows:

	Land and Buildings		Equipment	
	2014 £000	2013 £000	2014 £000	2013 £000
Operating lease which expire				
Within one year	89	15	52	34
In two to five years	48	37	23	74
In over five years	298	128	-	-

32. 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) Dumfries and Galloway Council Pension Fund
v) Fife Council Pension Fund
vi) Lothian Council Pension Fund
vii) Scottish Teachers Superannuation Scheme (STSS)

32. Pensions (Cont'd)

A summary of FRS17 pension liabilities is included at the end of section vi) 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.

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.

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 assets of the scheme are held in a separately administered fund. A valuation was carried out as at 31 March 2011. The contributions are set at 7% for employees and 13.6% for the employer. Additional payments of £235k per annum are made into the plan.

The following disclosures are required under FRS 17 for the Citrus scheme. Retirement benefits are recognised when they are earned and not when they are due to be paid.

The valuation used for FRS 17 disclosures has been based on the most recent triennial actuarial valuation which took place on 31 March 2011 and updated by Hymans Robertson in order to assess the assets and liabilities of the scheme at 31 March 2014. 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.

Change in benefit obligation	**2014 £000**	**2013 £000**
Opening defined benefit obligation	23,890	20,703
Current service cost	1,075	1,040
Interest cost	1,170	971
Scheme participants' contributions	7	23
Actuarial losses	1,145	1,401
Benefits paid	(119)	(248)
Benefit obligation as at 31 March	27,168	23,890

32. Pensions (Cont'd)

iii) The Citrus Pension Plan (Cont'd)

Change in scheme assets	2014 £000	2013 £000
Opening fair value of scheme assets	18,369	15,834
Expected return on scheme assets	891	755
Actuarial gain /(losses)	(299)	956
Employer contributions	1,048	1,049
Member contributions	7	23
Benefits paid	(119)	(248)
Fair value of scheme assets as at 31 March	19,897	18,369
Net amount recognised	(7,271)	(5,521)

Contributions totalling £1,096k are expected to be made in the year ended 31 March 2015.

The components of the pension cost are as follows:

Current service cost	1,075	1,040
Interest cost	1,170	971
Expected return on scheme assets	(891)	(755)
Total pension cost recognised in the income and expenditure account	1,354	1,256
Actuarial loss immediately recognised	(1,444)	(455)
Total pension cost recognised in the statement of recognised gains and losses	(1,444)	(455)
Cumulative amount of actuarial gain immediately recognised	(993)	451

Scheme assets	**2014** %	**2013** %
The weighted average asset allocations at year-end were as follows:		
Equities	65	65
Corporate bonds	28	28
Government bonds	7	7
Property	0	0
Cash	0	0
	100	100

To develop the expected long term rate of return on assets assumption, SRUC considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long term rate of return on assets assumption for the portfolio. This resulted in the selection of a 4.85% assumption for the expected return on scheme assets for the year ended 31 March 2014.

32. Pensions (Cont'd)

iii) The Citrus Pension Plan (Cont'd)

	2014 £000	2013 £000
Actual return on scheme assets	592	1,709
Weighted average assumptions used to determine benefit obligations	**2014**	**2013**
Discount rate	4.45%	4.80%
Inflation rate	3.50%	3.70%
Rate of salary increase	4.50%	4.70%
Rate of pension increase (RPI capped at 5%)	3.30%	3.45%
Rate of pension increase (RPI capped at 2.5%)	2.20%	2.30%
Rate of pension increase (CPI capped at 2.5%)	2.20%	2.30%
Weighted average assumptions used to determine net pension cost:		
Discount rate	4.45%	4.80%
Expected long term return on scheme assets	4.79%	4.73%
Weighted average life expectancy for mortality tables used to determine benefit obligations:		
Member Age 65 (current life expectancy)	23.1	23.0
Member Age 50 (life expectancy at age 65)	23.6	23.5

Five year history: £000	**2014**	**2013**	**2012**	**2011**	**2010**
Benefit obligation at 31 March	(27,168)	(23,890)	(20,703)	(17,155)	(17,190)
Fair value of scheme assets at 31 March	19,897	18,369	15,834	14,693	12,656
(Deficit)/surplus	(7,271)	(5,521)	(4,869)	(2,462)	(4,534)
Experience gains and (losses) on scheme assets					
Amount £000	(299)	956	(584)	343	2,566
Percentage of scheme assets	(1.5%)	5.2%	(3.7)%	2.3%	20.3%
Experience gains and (losses) on scheme liabilities:					
Amount £000	53	(1)	(1,654)	201	(1,991)
Percentage of scheme liabilities	0.2%	(0)%	(8.0)%	1.2%	(11.6%)

32. Pensions (Cont'd)

Balance sheet position

Assets	Long term return %p.a.	Fund value at 2014 £000	Long term return %p.a.	Fund value at 2013 £000	Long term return %p.a.	Fund value at 2012 £000
Equities	6.00	12,933	5.50	11,940	5.80	10,292
Corporate Bonds	4.50	5,571	4.80	5,143	4.60	2,533
Government Bonds	3.50	1,393	3.00	1,286	3.30	2,533
Property	0	-	0	-	5.80	-
Cash	0	-	0	-	0.50	476
Total value of assets		19,897		18,369		15,834
Actuarial value of liabilities		(27,168)		(23,890)		(20,703)
Net pension liability		(7,271)		(5,521)		(4,869)

iv) Dumfries and Galloway Council Pension Fund (DGCPF)

A valuation was carried out as at 31 March 2011. The contributions are set at 5.5% to 7% for employees and 19.1% for the employer.

The following disclosures are required under FRS 17 for the DGCPF. Retirement benefits are recognised when they are earned and not when they are due to be paid.

The valuation used for FRS 17 disclosures has been based on the most recent triennial actuarial valuation which took place on 31 March 2011 and updated by Hymans Robertson in order to assess the assets and liabilities of the scheme at 31 March 2014. 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.

Change in benefit obligation	2014 £000	2013 £000
Opening defined benefit obligation	5,970	5,117
Current service cost	224	102
Interest cost	273	110
Schemes participants' contributions	53	29
Actuarial losses	241	665
Benefits paid	(101)	(53)
Benefit obligation as at 31 March	6,660	5,970

Change in scheme assets		
Opening fair value of scheme assets	4,943	4,364
Expected return on scheme assets	250	104
Actuarial (losses)/gains	192	397
Employer contributions	173	102
Member contributions	53	29
Benefits paid	(101)	(53)
Fair value of scheme assets as at 31 March	5,510	4,943
Net amount recognised	(1,150)	(1,027)

32. Pensions (Cont'd)

iv) Dumfries and Galloway Council Pension Fund (DGCPF) (Cont'd)

Contributions totalling £166k are expected to be made in the year ended 31 March 2015.

The components of the pension cost are as follows:

	2014 £000	2013 £000
Current service cost	224	102
Interest cost	273	110
Expected return on scheme assets	(250)	(104)
Total pension cost recognised in the income and expenditure account	247	108
Actuarial loss immediately recognised	(49)	(268)
Total pension cost recognised in the statement of recognised gains and losses	(49)	(268)
Cumulative amount of actuarial gain immediately recognised	(317)	(268)

Scheme assets	**2014**	**2013**
The weighted average asset allocations at year-end were as follows:	**%**	**%**
Equities	75	66
Bonds	15	24
Property	8	8
Cash	2	2
	100	100

To develop the expected long term rate of return on assets assumption, SRUC considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long term rate of return on assets assumption for the portfolio. This resulted in the selection of an 8.8% assumption for the expected return on scheme assets for the year to 31 March 2014.

	2014 £000	2013 £000
Actual return on scheme assets	443	499

Weighted average assumptions used to determine benefit obligations:	**2014**	**2014**
Discount rate	4.30%	4.50%
Rate of salary increase	5.10%	5.10%
Rate of pension increase	2.80%	2.80%
Weighted average assumptions used to determine net pension cost:		
Discount rate	4.30%	4.50%
Expected long term return on scheme assets	6.00%	5.00%

32. Pensions (Cont'd)

iv) Dumfries and Galloway Council Pension Fund (DGCPF) (Cont'd)

Weighted average life expectancy for mortality tables used to determine benefit obligations:

	2014	2013
Male Member Age 65 (life expectancy at 65)	23.0	23.0
Male Member Age 45 (life expectancy at 65)	24.9	24.9
Female Member Age 65 (life expectancy at age 45)	25.6	25.6
Female Member Age 45 (life expectancy at age 65)	27.7	27.7

History: £000	**2014**	**2013**
Benefit obligation at 31 March	(6,660)	(5,970)
Fair value of scheme assets at 31 March	5,510	4,943
Deficit	(1,150)	(1,027)
Experience gains on scheme assets:		
Amount £000	192	397
Percentage of scheme assets	3.5%	8.0%
Experience (losses) on scheme liabilities:		
Amount £000	(311)	(4)
Percentage of scheme liabilities	4.7%	0.1%

Balance sheet position

Assets	***Long Term Return %p.a.***	***Fund value at 2014 £000***	***Long Term Return %p.a.***	***Fund value at 2013 £000***
Equities	6.60	4,133	5.80	3,263
Bonds	3.90	826	3.40	1,186
Property	4.80	441	3.90	395
Cash	3.70	110	3.00	99
Total value of assets		5,510		4,943
Actuarial value of liabilities		(6,660)		(5,970)
Net pension liability		(1,150)		(1,027)

v) Fife Council Pension Fund ("FCPF")

The FCPF is a funded defined benefit pension scheme where contributions are held in a trust separately from the College. A formal valuation of the scheme was carried out as at 31 March 2011. The contributions are set at 5.5% to 7% for employees and 17.4% for the employer.

The following disclosures are required under FRS 17 for the FCPF. Retirement benefits are recognised when they are earned and not when they are due to be paid.

32. Pensions (Cont'd)

v) Fife Council Pension Fund ("FCPF") (Cont'd)

The valuation used for FRS 17 disclosures has been based on the most recent triennial actuarial valuation which took place on 31 March 2011 and updated by Hymans Robertson in order to assess the assets and liabilities of the scheme at 31 March 2014. 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.

Change in benefit obligation	**2014** **£000**	**2013** **£000**
Opening defined benefit obligation	11,500	10,337
Current service cost	409	195
Interest cost	522	221
Scheme participants' contributions	80	52
Actuarial losses	576	833
Benefits paid	(330)	(138)
Benefit obligation as at 31 March	12,757	11,500
Change in scheme assets		
Opening fair value of scheme assets	9,556	8,495
Expected return on scheme assets	499	211
Actuarial gains	148	778
Employer contributions	342	158
Member contributions	80	52
Benefits paid	(330)	(138)
Fair value of scheme assets as at 31 March	10,295	9,556
Net amount recognised	(2,462)	(1,944)

Contributions totalling £217k are expected to be made in the year ended 31 March 2015.

The components of the pension cost are as follows:

	2014 **£000**	**2013** **£000**
Current service cost	409	195
Interest cost	522	221
Expected return on scheme assets	(499)	(211)
Total pension cost recognised in the income and expenditure account	432	205
Actuarial loss immediately recognised	(428)	(55)
Total pension cost recognised in the statement of recognised gains and losses	(428)	(55)
Cumulative amount of actuarial loss immediately recognised	(483)	(55)

32. Pensions (Cont'd)

v) Fife Council Pension Fund ("FCPF") (Cont'd)

Scheme assets	**2014**	**2013**
The weighted average asset allocations at year-end were as follows:	%	%
Equities	71	71
Bonds	16	16
Property	9	8
Cash	4	5
	100	100

To develop the expected long term rate of return on assets assumption, SRUC considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long term rate of return on assets assumption for the portfolio. This resulted in the selection of a 6.7% assumption for the expected return on scheme assets for the year to 31 March 2014.

	2014	**2013**
	£000	**£000**
Actual return on scheme assets	647	988

Weighted average assumptions used to determine benefit obligations:	**2014**	***2013***
Discount rate	4.30%	4.50%
Rate of salary increase	5.10%	5.10%
Rate of pension increase	2.80%	2.80%
Weighted average assumptions used to determine net pension cost:		
Discount rate	4.30%	4.50%
Expected long term return on scheme assets	6.00%	5.20%

Weighted average life expectancy for mortality tables used to determine benefit obligations:

	2014	**2013**
Male Member Age 65 (life expectancy at 65)	23.0	23.0
Male Member Age 45 (life expectancy at 65)	24.9	24.9
Female Member Age 65 (life expectancy at age 45)	25.8	25.8
Female Member Age 45 (life expectancy at age 65)	27.7	27.7

History: £000	**2014**	**2013**
Benefit obligation at 31 March	(12,757)	(11,500)
Fair value of scheme assets at 31 March	10,295	9,556
(Deficit)	(2,462)	(1,944)

32. Pensions (Cont'd)

v) Fife Council Pension Fund ("FCPF") (Cont'd)

Experience gains on scheme assets:

	2014	2013
Amount £000	148	778
Percentage of scheme assets	1.4%	8.1%
Experience gains and (losses) on scheme liabilities:		
Amount £000	(944)	(4)
Percentage of scheme liabilities	6.9%	0.1%

Balance sheet position

Assets	*Long Term return %p.a.*	*Fund Value at 2014 £000*	*Long Term return % p.a.*	*Fund value at 2013 £000*
Equities	6.70	7,309	5.80	6,785
Bonds	4.00	1,647	3.80	1,529
Property	4.80	927	3.09	764
Cash	3.70	412	3.00	478
Total value of assets		10,295		9,556
Actuarial value of liabilities		(12,757)		(11,500)
Net pension liability		(2,462)		(1,944)

vi) Lothian Pension Fund (LPF)

The LPF is a funded defined benefit pension scheme where contributions are held in a trust separately from the College. A formal valuation of the scheme was carried out as at 31 March 2011. The contributions are set at 5.5 to 6.8% for employees and 19.9% for the employer.

The following disclosures are required under FRS 17 for the LPF. Retirement benefits are recognised when they are earned and not when they are due to be paid.

The valuation used for FRS 17 disclosures has been based on the most recent triennial actuarial valuation which took place on 31 March 2011 and updated by Hymans Robertson in order to assess the assets and liabilities of the scheme at 31 March 2014. 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.

Change in benefit obligation	2014 £000	2013 £000
Opening defined benefit obligation	5,014	4,402
Current service cost	150	68
Interest cost	227	94
Scheme participants' contributions	34	18
Actuarial losses	231	492
Losses on curtailment	11	-
Benefits paid	(122)	(60)
Benefit obligation as at 31 March	5,545	5,014

32. Pensions (Cont'd)

vi) Lothian Pension Fund (LPF) (Cont'd)

Change in scheme assets	2014 £000	*2013 £000*
Opening fair value of scheme assets	4,048	3,570
Expected return on scheme assets	216	90
Actuarial gains	27	368
Employer contributions	131	62
Member contributions	34	18
Benefits paid	(112)	(60)
Fair value of scheme assets as at 31 March	4,344	4,048
Net amount recognised	(1,201)	(966)

Contributions totalling £114k are expected to be made in the year ended 31 March 2015.

The components of the pension cost are as follows:

Current service cost	150	68
Interest cost	227	94
Expected return on scheme assets	(216)	(90)
Losses on curtailment	11	-
Total pension cost recognised in the income and expenditure account	172	72
Actuarial loss immediately recognised	(114)	(124)
Total pension cost recognised in the statement of recognised gains and losses	(114)	124
Cumulative amount of actuarial loss immediately recognised	(238)	(124)

Scheme Assets	2014	2013
The weighted average asset allocations at year-end were as follows:	%	%
Equities	77	79
Bonds	9	8
Property	8	9
Cash	6	4
	100	100

To develop the expected long term rate of return on assets assumption, SRUC considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long term rate of return on assets assumption for the portfolio. This resulted in the selection of a 6.0% assumption for the expected return on scheme assets for the year 31 March 2014.

32. Pensions (Cont'd)

vi) Lothian Pension Fund (LPF) (Cont'd)

	2014 £000	2013 £000
Actual return on scheme assets	243	457

	2014	2013
Weighted average assumptions used to determine benefit obligations:		
Discount rate	4.30%	4.50%
Rate of salary increase	5.10%	5.10%
Rate of pension increase	2.80%	2.80%
Weighted average assumptions used to determine net pension cost:		
Discount rate	4.30%	4.50%
Expected long term return on scheme assets	6.10%	5.30%

Weighted average life expectancy for mortality tables used to determine benefit obligations:

	2014	2013
Male Member Age 65 (life expectancy at 65)	20.4	20.4
Male Member Age 45 (life expectancy at 65)	22.6	22.6
Female Member Age 65 (life expectancy at age 65)	22.8	22.8
Female Member Age 45 (life expectancy at age 65)	25.4	25.4

History: £000		
Benefit obligation at 31 March	(5,545)	(5,014)
Fair value of scheme assets at 31 March	4,344	4,048
Deficit	(1,201)	(966)
Experience gains on scheme assets :		
Amount £000	27	368
Percentage of scheme assets	0.6%	9.1%
Experience losses on scheme liabilities:		
Amount £000	(197)	(3)
Percentage of scheme liabilities	3.4%	0.1%

32. Pensions (Cont'd)

vi) Lothian Pension Fund (LPF) (Cont'd)

Balance sheet position

Assets	*Long Term Return %p.a.*	*Fund Value at 2014 £000*	*Long Term Return %p.a.*	*Fund Value at 2013 £000*
Equities	6.60	3,345	5.70	3,198
Bonds	3.90	391	3.50	324
Property	4.80	347	3.90	364
Cash	3.70	261	3.00	162
Total value of assets		4,344		4,048
Actuarial value of liabilities		(5,545)		(5,014)
Net pension liability		(1,201)		(966)

Summary of FRS17 net Pension liabilities

	2014 £000	*2013 £000*
Citrus Pension Plan	(7,271)	(5,521)
Dumfries and Galloway Pension Fund	(1,150)	(1,027)
Fife Council Pension Fund	(2,462)	(1,944)
Lothian Council Pension Fund	(1,201)	(966)
Total net pension liability	(12,084)	(9,458)

vii) 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 scheme is contracted out of the State Earnings-Related Pension scheme. The agreed contribution rates for future years are 14.9% (2012/13 14.9%) for employers and 6.4% - 11.2% (2012/13 6.4% - 11.2%) for employees.

The last actuarial valuation of the scheme for which information is available was at 31st March 2009. The results of this valuation were rolled forward to give a liability at 31 March 2013. The assumptions that have had the most significant effect on this valuation and other relevant information are as follows below.

Rate of return on investments in excess of rate of increases in earnings	0.15% per annum
Rate of return on investments in excess of rate of increases in prices	2.35% per annum

The actuarial value of the STSS scheme at 31 March 2013 showed a deficiency of £24 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.

33. Bursary and other student support funds

	Bursary	Hardship	EMA's	Other	2014 Total £000	2013 Total £000
1 April 2013	315	136	(38)	(2)	411	15
Received during the year	1,689	313	246	0	2,248	892
Transferred on merger	-	-	-	-	-	789
Expenditure	(2,117)	(356)	(210)	2	(2,681)	(1,285)
31 March 2014	(113)	93	(2)	-	(22)	411

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

Childcare Funds

	2014 £000	2013 £000
1 April 2013	218	47
Received in year	233	128
Transferred on merger	-	187
Expenditure	(89)	(144)
31 March 2014	362	218

SRUC

General Information

Chairman	Lord J Lindsay
Acting Chief Executive and Company Secretary	Ms J D Swadling BA MBA FCIS
Registered Office	West Mains Road Edinburgh EH9 3JG
External Auditors	Ernst & Young LLP Ten George Street Edinburgh EH2 2DZ
Internal Auditors	KPMG Saltire Court 20 Castle Terrace Edinburgh EH1 2EG
Bankers	Clydesdale Bank PLC Clydesdale Bank Plaza 50 Lothian Road Edinburgh EH3 9BT
Solicitors	Morton Fraser Quartermile Two 2 Lister Square Edinburgh EH3 9GL
Actuaries	Barnett Waddingham 163 West George Street Glasgow G2 2JJ
Stockbrokers	Speirs & Jeffrey George House 50 George Square Glasgow G2 1EH