SRUC

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2015

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Strategic Report

The directors present the Strategic Report of SRUC for the year ended 31 March 2015. 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 2015 the main education and research activities operated from six campuses in Aberdeen, Ayr, Cupar, Dumfries, Edinburgh and Oatridge. Consultancy services are delivered through a network of 25 Farm and Rural Business Services offices, eight Veterinary Disease Surveillance Centres and the Central Diagnostic Laboratory. In addition, SRUC operated seven farms, four of which are used for research purposes and three for education. One farm was sold during the year.

SRUC achieved excellent Research Excellence Framework (REF) results for 2014 which will result in SFC of funding for research, commencing in 2015/16 although we shall not see the full benefit of this until 2017/18.

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. After significant consideration, SRUC and the University of Edinburgh announced on 24 June 2015 that they would build on their existing strong relationship and continue to work closely as independent institutions.

Collaborative working, in which SRUC has a strong track record, will continue to be a key feature and in aiming to strengthen organisation, the Board recognises the importance of degree awarding powers. The Board has ratified that it is important that we continue to develop our agenda for growth combined with a strategy for investment across all of our key activities and "The Strategy for Investment and Future Growth of SRUC" is the key priority.

Future Developments and Factors Influencing Performance

To ensure future sustainability, SRUC is continuing to focus on ensuring that its Academic, Commercial and Infrastructure Strategies are closely aligned. Further focus on efficiency measures will be undertaken to deliver cost savings and significant improvements in revenue to the organisation. The Board have committed that the strategic direction of SRUC will be focused on a stronger financial platform.

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.

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 15, membership of the Board is detailed on page 8 and the Board's corporate governance arrangements are detailed on pages

13-14. The directors are also trustees and are referred to throughout this document as directors. The Principal and Chief Executive is appointed by the Board and is directly accountable to the Chief Executive of SFC for the institution's proper use of public funds.

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

In these financial statements SRUC, at 31 March 2015, 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 has a five year strategic plan, for the period 2013 to 2018. The four key aims and objectives to be delivered and the progress to date is detailed below.

Aim 1: Building a culture of excellence.

Objective	KPI	Progress
a. Delivery of a sector leading research programme with cross-disciplinary outputs; **b.** Securing a research environment and profile that creates undergraduate and post graduate student demand and stimulates staff recruitment from the UK and overseas.	• Achieve international quality or equivalent assessment of research from Scottish Government Research Portfolio Review 2014.	– Key activity is delivering agreed milestones in the RESAS research programme which is underway.
	• Achieve taught degree and research degree awarding powers, independently or through collaboration.	– Work continues on developing the evidence base to meet the criteria.
	• Achieve compliance with SFC Outcome agreement and annual compliance with existing validating bodies, QAA and Education Scotland.	– Achieved the targets and outcomes contained within the Outcome Agreement for the 2014/15 academic year. – Education Scotland – successful outcome in the 2014 review. – QAA – ELIR (2014) successful outcome in the review.

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

Objective	KPI	Progress
a. Delivery of a programme of research, consultancy and knowledge transfer; **b.** Growing an international portfolio of courses and post graduate research; **c.** Provision of a first class service to our consultancy clients.	• Achieve top three place in Research Power ranking for Agriculture, Veterinary and Food Science panel in REF 2014.	• Agricultural and veterinary research at SRUC, submitted jointly with the University of Edinburgh, has been ranked as most powerful in the UK in the Research Excellence Framework (REF).
	• Increase the number of enrolled research students by 100% and postgraduate students by 75% by 2018.	• Postgraduate research student registrations are up 68% on 2011. • Taught postgraduate student registrations are up 36% on 2011.
	• SRUC maintained as the provider of choice to Scottish Government.	• Regular dialogue continues with the Scottish Government to determine the level of service required for the FAS tender.

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

Objective	KPI	Progress
a. Delivery of an innovative and stimulating portfolio of education that enables students to achieve academic excellence coupled with career excellence; **b.** Working with employers, stakeholders and other professional bodies to ensure that SRUC's outputs are responsive to the needs of our customers and students.	• Complete the National Strategy for land-based tertiary education in 2014.	– Good progress has been made in partnership with the SFC to agree the framework for the development of the National Strategy. The final report will be published in the summer of 2015.
	• Achieve student number targets per annual SFC Outcome agreements and SRUC targets for RUK and overseas students, with the development of four new postgraduate taught courses.	– Student target numbers were delivered in line with the Outcome Agreements.
	• Achieve a position in the top three in sector within the National Student Survey by 2015.	– SRUC's results for its second year of participating in the NSS saw an increase to 89% overall satisfaction which places it second in a list of UK participating land-based sector HEIs, 1% point behind the highest placed institution.

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

Objective	KPI	Progress
a. Being an exemplary, socially responsible employer nurturing equality, inclusion and diversity; **b.** Develop the highest standards in the delivery of professional services to maximise the delivery of institutional plans and achieve a sustainable organisation; **c.** Establishing new income streams to enable the development of world class facilities; **d.** Minimising the environmental footprint and support the obligations under the Universities and Colleges Climate Commitment for Scotland.	• Achieve and maintain award status in Investors in people; Athena Swan Bronze and Concordat in HR Excellence.	– The former SAC activities retained silver status and the former FE colleges were awarded Bronze status. – SRUC has joined Athena Swan and is working towards Bronze status. – Planning is underway to seek Concordat in HR Excellence and Concordat on Research integrity awards.
	• Plan and deliver strategically focused infrastructure programme to improve quality of staff and student accommodation and facilities.	– Development of an SRUC wide Infrastructure strategy has been completed. Outline Business Cases are being prepared for key developments.
	• Deliver a 3% financial surplus across the institution, including growing philanthropic receipts to £250k p.a. by 2018.	– Financial plans have been developed and rigorous budget setting is in place. – A Development and Alumni Relations Office has been established and resources are being made available to support activities.
	• Establish baseline CO2 emissions and set 15% reduction targets in support of Scottish Government climate change targets.	– Baseline data has been secured for all environmental targets with annual action plans put in place to reduce our environmental footprint.

Strategic Report

SRUC

Financial Highlights

	2015 £m	2014 £m
Income	77	84
Expenditure	74	82
Retained surplus	3	2
Net Assets	47	52

Results for the Year

The income and expenditure account for the year to 31 March 2015 reflects a full year of transactions for the four colleges that merged to form SRUC. The comparative figures also include a full year of transactions for all four colleges but include 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. This makes direct comparison with the prior year figures difficult.

The underlying operating profit has improved from a loss of £0.2m in 2014 to a surplus of £0.9m. The operating surplus is calculated by taking the surplus for the year of £2.8m and deducting capital grants released on fixed asset sales of £1.9m.

The results reflect improvements arising from a period of ongoing restructuring of the SRUC education curriculum and infrastructure.

Turnover has decreased by £7m from 2014. £4m of this relates to grants relating to fixed assets impairments and disposals and merger funding. The transfer of courses to Fife College resulted in a decrease of £0.7m. A large proportion of the remaining decrease relates to projects where we also had matched reduction in subcontract liabilities. In common with our farming clients we suffered as a result of the decrease in milk and other commodity prices.

Careful cost management has enabled an increase in operating profit. We continue to review income opportunities and our cost base to ensure that our business model is sustainable. The results also reflect the disposal of land and related development costs. As the assets were grant funded there is a release of the related deferred grant income.

The post merger voluntary severance scheme closed for applications in October 2014 and the year to 31 March 2016 will be the first year to benefit from the full savings. SRUC bore £190k of unfunded severance costs in the year.

The SFC completed the two year post-merger review of SRUC and declared that, against the criteria by which they measure it, the merger has been a success. Although the SFC does recognise that we continue to have on-going financial and estates challenges.

For the year ended 31 March 2015 SAC Commercial Ltd made a profit of £3.4m and after payment of £3.5m of gift aid, had a retained loss of £59k. Equestrian Facilities Scotland Ltd made a profit of £90k and after payment of £49k of gift aid and a £9k tax charge had a retained profit of £32k.

The performance against the financial KPIs was as follows:

As a % of turnover	**Target**	**Actual**
Underlying Operating Surplus	2.3%	1.27%
Operating Cashflow	4.5%	2.4%
Staff Costs	<57%	57.7%

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

Balance Sheet

Fixed assets

The net book value of fixed assets at 31 March 2015 was £99m. Additions in the year amounted to £2.9m and related to a number of smaller additions to buildings and equipment.

Endowments

The value of SRUC's endowment asset investments has reduced by £145k to £3.9m at 31 March 2015 as a result of increased disbursements to support more students to undertake doctorates. The value of the underlying investments has remained in line with the performance of global stock markets. The performance of the fund managers continues to be monitored.

Cash & Treasury Management

The cash balance held by SRUC at 31 March 2015 was £9.9m, an increase of £2.6m, which can be attributed in the main to capital receipts and an operating cash inflow. There are three loans outstanding of £85k.

Impact of Pension Liability and FRS17

The total pension liability at 31 March 2015 was £18m. This was an increase of £5.9m from 2014 and relates to the four final salary pension schemes operated by SRUC. Deficit recovery plans are in place.

Principal Risks and Uncertainties

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

Significant risks

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

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 European Union funded Research projects. As a result, the Group's income can be affected by movements in the Euro exchange rate. Hedging activity is undertaken as appropriate for large receipts to mitigate this risk.

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

Janet D. Swadling

Janet D Swadling
Acting Chief Executive

27 August 2015

Directors Report

SRUC

Registered No: SC103046

The directors present their report for the year ended 31 March 2015

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

	Date of Appointment	Date of Retirement	Status of Appointment
Mr D Bell (Staff elected)	10 Oct 2014	Oct 2017	Non-Executive
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 2019	Non-Executive
Miss B Dall (Student elected)	10 Oct 2014	24 April 2015	Non-Executive
Mr R Dinning	11 Dec 2014	Oct 2017	Non-Executive
Dr J Gilliland OBE	4 Oct 2007	10 Oct 2014	Non-Executive
Mr R Howat	5 Oct 2012	17 Dec 2014	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 2018	Non-Executive
Mr A Marshall (Vice Chairman from Oct 2012)	5 Oct 2012	Oct 2018	Non-Executive
Mr W Marshall	5 Oct 2012	Oct 2018	Non-Executive
Mr N Miller	1 May 2015	Oct 2018	Non-Executive
Professor S McDaid, CBE	11 Oct 2013	Oct 2016	Non-Executive
Professor D McKenzie	17 Dec 2014	10 July 2015	Executive
Ms K Richards	11 Oct 2013	Oct 2016	Non-Executive
Mr Alex Robb (Student elected)	10 Jul 2015	30 Jun 2016	Non-Executive
Professor G Simm	10 Dec 2009	n/a	Executive
Ms J D Swadling	2 Oct 2001	n/a	Acting Chief Executive*
Mr I Taylor (Staff elected)	5 Oct 2012	18 Jul 2014	Non-Executive
Mr T Young	5 Oct 2012	12 Dec 2014	Non-Executive

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.

* Appointed Acting Chief Executive on 1 December 2013

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Directors' attendance

Details of the Directors' attendance record at Board meetings and relevant Board Committee meetings in the period 1 April 2014 to 31 March 2015 are set out below. The number in brackets represents the number of meetings that the Director was eligible, as a member of the Board or Committee, to attend during the year.

	Board	**A&R Committee**	**Audit & Risk Committee**	**F&GP Committee**	**Health & Safety Policy Committee***	**Trusts**
Number of meetings in period	*7*	*6*	*4*	*5*	*3*	*1*
Mr D Bell (Staff elected)	3(3)					
Mr L Borwick	7(7)			5(5)		
Professor G Bulfield CBE	7(7)		4(4)		1(1)	
Mr J Cowens	3(4)					
Mr J Cumming CBE	7(7)	6(6)		5(5)		1(1)
Miss B Dall (Student elected)	2(4)					
Mr R Dinning	1(1)		4(4)		3(3)	
Dr J Gilliland OBE	3(4)					
Mr R Howat	5(5)			4(4)		1(1)
Mr C Law (Student elected)	2(3)					
Lord J Lindsay	7(7)	6(6)				
Mr P Machray OBE	6(7)	6(6)		5(5)		
Mr A Marshall	7(7)	6(6)				
Mr W Marshall	6(7)			5(5)		
Mr N Miller	n/a					
Professor S McDaid CBE	7(7)		4(4)			
Professor D McKenzie	6(7)					
Ms K Richards	7(7)					
Mr Alex Robb (Student elected)	n/a					
Professor G Simm	7(7)					
Ms J D Swadling	7(7)	6(6)^	4(4)^	5(5)^	5(5)^	1(1)
Mr I Taylor (Staff elected)	4(4)					
Mr T Young	5(5)		3(3)		3(3)	

* became an Executive Committee in December 2014
^ in attendance

SRUC

Communication with Staff

SRUC is conscious of the value of keeping employees informed of the progress and future plans of the organisation and of the mutual benefit that is engendered by good internal communications. A communications and engagement strategy has been in place since the merger. It includes a monthly Core Brief, which provides staff with a summary of the key issues faced by SRUC and any actions considered necessary by the Executive Management Team (EMT) and also provides details of successes enjoyed. This is supported by regular video broadcasts by the 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.

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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

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

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

Health and Safety Policy

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

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

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

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

Directors Report

SRUC

Financial Policies

Creditors Policy

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

As at 31 March 2015 there were 34 days (2014 – 30 days) of creditors outstanding. Interest paid under the Late Payment of Commercial Debts (Interest) Act 1998 amounted to nil (2014 nil).

Third Party Indemnity Insurance

SRUC has granted an indemnity to 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 External Auditors

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

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

This report was approved by the Board on 27 August 2015 and signed on its behalf by:

Janet D Swadling

Lord J Lindsay	Janet D Swadling
Chairman	Acting Chief Executive

Corporate Governance Statement

SRUC

Introduction

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

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

Statement of UK Corporate Governance Code 2014 compliance

In the opinion of the Board, SRUC complies with all the provisions of the UK Corporate Governance Code 2014 in so far as they apply to the higher education sector, and it has complied throughout the year ended 31 March 2015.

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

Audit and Risk Committee

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

Finance and General Purposes Committee

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

SRUC Council Consultative Committees

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

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

Statement of Internal Control

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

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

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

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

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

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

The SRUC Board is of a view that there is an 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 2015 and up to the date of approval of the annual report and financial statements.

Janet D Swadling
Acting Chief Executive

Lord J Lindsay
Chairman

27 August 2015

Statement of the Responsibilities of the Board of SRUC

The Board is responsible for ensuring that the affairs of SRUC are administered and managed appropriately including an effective system of internal control, and that audited financial statements are presented for each financial year.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of SRUC, and ensure that the financial statements are prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006, the Statement of Recommended Practice on Accounting in Higher Education Institutions, and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between SRUC and SFC, the Board, through its designated Accountable Officer (Principal and Chief Executive), is required to prepare financial statements for each financial year which give a true and fair view of SRUC's state of affairs and of the surplus or deficit and cash flows for that year.

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

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Institution will continue in operation. The Board is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board has taken reasonable steps to:

- ensure that funds from Scottish Government and SFC and other public funding bodies are used only for the purposes for which they have been granted;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of SRUC and prevent and detect fraud;
- secure the economical, efficient and effective management of SRUC's resources and expenditure.

Independent 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 2015 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.

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 2015 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 matter prescribed by the Companies Act 2006

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

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

Opinion on other matters prescribed by applicable regulations

In our opinion:

- 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

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

2 SEPTEMBER 2015

Group Income and Expenditure Account

For the year ended 31 March 2015

SRUC

	Note	2015 £000	2014 £000
Income			
Scottish Government grants	1	17,124	19,756
Scottish Funding Council	2	21,707	22,466
Tuition fees and education contracts	3	5,696	5,784
Research grants and contracts	4	9,650	11,001
Advisory and consultancy contracts	5	12,933	13,847
Other operating income	6	10,294	11,190
Interest receivable		56	24
Total income		77,460	84,068
Expenditure			
Staff costs	7	42,001	42,053
Other operating expenditure	9	31,165	35,192
Exceptional costs- merger costs		462	1,140
- merger staff restructuring		819	2,034
Interest	10	222	364
Total expenditure		74,669	80,783
Surplus on continuing operations after depreciation of tangible fixed assets and release of negative goodwill		2,791	3,285
Loss on disposal of fixed assets		(253)	(1,118)
Surplus for the year retained within reserves		2,538	2,167

All operations are continuing

Balance Sheets

At 31 March 2015

SRUC

		Group		Company	
		2015	2014	2015	2014
	Note	£000	£000	£000	£000
Fixed assets					
Tangible assets	11	99,381	101,598	99,381	101,594
Negative goodwill	12	(41,427)	(43,018)	(41,427)	(43,018)
Investments	13	172	170	172	170
Endowment asset investments	14	3,869	4,014	3,869	4,014
Current assets					
Stocks	15	2,649	2,915	2,649	2,915
Debtors	16	9,338	10,166	5,285	6,784
Assets held for resale		-	73	-	73
Cash in hand		9,867	7,252	9,063	6,165
Total current assets		21,854	20,406	16,997	15,937
Creditors: amounts falling due within one year	17	(17,170)	(17,786)	(15,032)	(13,938)
Net current assets		4,684	2,620	1,965	1,999
Total assets less current liabilities		66,679	65,384	63,960	64,759
Creditors: amounts falling due after one year	18	(260)	(119)	(260)	(119)
Provisions for liabilities	20	(1,226)	(1,238)	(1,226)	(1,238)
Net assets excluding pension liability		65,193	64,027	62,474	63,402
Pension liability	31	(18,045)	(12,084)	(18,045)	(12,084)
Net assets including pension liability		47,148	51,943	44,429	51,318
Deferred capital grants	21	38,954	40,560	38,954	40,560
Reserves					
Endowment	14	3,869	4,014	3,869	4,014
Revaluation reserve	22	54	52	54	52
General reserve excluding pension liability		22,316	19,401	19,597	18,776
Pension liability	31	(18,045)	(12,084)	(18,045)	(12,084)
General reserve including pension liability	23	4,271	7,317	1,552	6,692
Total funds		47,148	51,943	44,429	51,318

The financial statements were approved on 27 August 2015 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 2015

SRUC

	Note	2015 £000	2014 £000
Net cash inflow/(outflow) from operating activities	24	1,777	(3,736)
Return on investments and servicing of finance	25	49	(4)
Capital expenditure and financial Investment	26	852	(948)
Financing	27	(63)	(548)
Management of liquid resources		-	3,000
Increase/(decrease) in cash in the year		2,615	(2,236)

	Note	2015 £000	2014 £000
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the year	29	2,615	(2,236)
(Increase)/decrease in debt and leasing finance	29	(205)	429
Increase/(decrease) in net cash		2,410	(1,807)
Net cash at 1 April	29	7,104	8,911
Net cash as at 31 March	29	9,514	7,104

Group Statement of Total Recognised Gains and Losses

For the year ended 31 March 2015

	Note	2015	2014
Surplus for the year		2,538	2,167
Net (reduction in)/additions to endowments	14	(153)	8
Increase in endowments	14	8	86
Revaluation of investments	13	2	28
Actuarial loss in in respect of pension schemes		(5,584)	(2,141)
Total recognised gains and losses since last annual report		(3,189)	148
Reserves at 1 April		11,383	11,235
Reserves as 31 March		8,194	11,383

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

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

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 a charity within the meaning of Part 1, chapter 2, s7 of the Charities and Trustee Investment (Scotland) Act 2005 and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly the Institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA 2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

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

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

Pensions

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

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 SRUC funds and is not separately funded. Provision is made in the financial statements 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.

Notes to the Financial Statements

SRUC

1. Scottish Government Grants

	2015	2014
	£000	£000
Recurrent grant		
Research and development	6,648	6,999
Advisory	7,373	7,161
	14,021	14,160
Release from deferred capital grants		
Buildings (note21)	2,161	4,490
Equipment (note21)	942	1,106
	17,124	19,756

2. Scottish Funding Council

	2015	2014
	£000	£000
Education	19,783	19,506
Merger funding and strategic support funding	1,062	2,642
Release from deferred capital grants		
Buildings (note 21)	769	225
Equipment (note21)	93	93
	21,707	22,466

3. Tuition Fees and Education Contracts

	2015	2014
	£000	£000
UK higher education fees	2,964	3,032
Non-EU students	84	131
UK further education students	99	-
	3,147	3,163
Education contracts	1,637	1,484
Short course fees	912	1,137
	5,696	5,784

4. Research Grants and Contracts

	2015	2014
	£000	£000
European union	1,635	2,711
Research councils	1,091	930
Other	6,924	7,360
	9,650	11,001

SRUC

5. Advisory and Consultancy Contracts

	2015 £000	2014 £000
Consultancies and subscriptions	9,224	10,348
Analytical services	2,827	2,642
Farm financial statements scheme	817	790
Publications	65	67
	12,933	13,847

6. Other Operating Income

	2015 £000	2014 £000
Residences, catering and conferences	2,650	3,208
Sales of farm products	4,232	5,124
HE joint operations	124	124
Rents	1,124	1,220
Other income	2,164	1,514
	10,294	11,190

7. Staff Costs

	2015 £000	2014 £000
Wages and salaries	35,111	35,135
Social security costs	2,871	3,002
Other pension costs	4,019	3,916
	42,001	42,053

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

	2015 Number	2014 Number
Academic departments	283	356
Research grants and contracts	255	270
Administration and central services	95	106
Premises and estates	61	68
Residencies, catering and conferences	14	17
Other including income generating operations	370	316
	1,078	1,133

The categorisation of staff costs has been revisited following internal restructuring which better reflects operational management.

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 2015		*Group 2014*	
	Number Directors	***Number Other Staff***	***Number Directors***	***Number Other Staff***
£70,001 to £80,000	-	7	-	5
£80,001 to £90,000	-	8	-	8
£90,001 to £100,000	-	1	-	-
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	-	-	-	1
£120,001 to £130,000	-	-	-	-
£130,001 to £140,000	1	-	2	-
£140,001 to £150,000	1	-	-	-
£150,001 to £160,000	-	-	1	-
£160,001 to £170,000	-	-	-	-
£180,001 to £190,000	1	-	-	-
£190,001 to £200,000	-	-	-	-
£280,000 to £290,000	-	-	1	-
	3	16	4	14

Directors' remuneration is included for the full year or from the date of appointment if part way through the year.

Analysis of the above staff costs by activity

	2015	**2014**
	£000	**£000**
Academic departments	11,770	11,719
Research grants and contracts	11,068	11,071
Administration and central services	3,888	4,254
Premises and estates	1,786	1,774
Residencies, catering and conferences	315	375
Other including income generating operations	13,174	12,860
	42,001	42,053

8. Directors' Remuneration

	2015	2014
	No	No
The number of Executive Directors during the year including the Principal and Chief Executive	4	4
	£000	£000
Salaries	502	710
Fees (Non-Executive Directors)	154	135
Pension contributions	79	89
	735	934
The emoluments of Acting Principal and Chief Executive:		
Remuneration	187	290
Pension	35	19
	222	309

Director salaries include compensation for loss of office of £91,500. (2014 includes compensation to the former Principal and Chief Executive of £87,498.)
A proportion of the Non-Executive Directors fees are recharged to a subsidiary undertaking.

9. Analysis of other operating expenditure by activity

	2015	2014
	£000	£000
Academic departments	2,997	3,111
Research grants and contracts	6,281	7,193
Administration and central services	3,200	2,517
Premises and estates	5,387	3,909
Residencies, catering and conferences	2,306	3,333
Other including income generating operations	8,192	10,342
Depreciation	4,359	4,708
Release of negative goodwill in respect of depreciation	(1,591)	(1,644)
Impairment of fixed assets	34	2,321
Release of negative goodwill in respect of stock	-	(598)
	31,165	35,192
Other operating expenditure includes:		
Operating lease rentals	1,183	1,278
Loss on exchange	20	2
Fees charged by external auditors:		
Audit of these financial statements	85	127
Audit-related assurance services	32	17
Other assurance services	28	-
Tax compliance services	53	116
Tax advisory services	21	21

9. Analysis of other operating expenditure by activity (contd)

	2015 £000	2014 £000
Other operating expenditure includes:		
Fees charged by internal auditors:		
Internal audit services	61	50
Other services*	-	177

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

10. Interest payable

	2015 £000	2014 £000
On loans repayable in less than five years	7	28
Net interest charge – pension schemes	215	336
	222	364

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 2014	111,216	5,037	32,660	1,662	150,575
Additions	714	-	2,104	93	2,911
Disposals	(1,084)	-	(1,001)	(67)	(2,152)
31 March 2015	110,846	5,037	33,763	1,688	151,334
Depreciation:					
1 April 2014	19,360	408	27,889	1,320	48,977
Charge for year	2,738	136	1,362	123	4,359
Disposals	(349)	-	(1,001)	(67)	(1,417)
Impairment	34	-	-	-	34
31 March 2015	21,783	544	28,250	1,376	51,953
Net Book Value:					
31 March 2015	89,063	4,493	5,513	312	99,381
1 April 2014	91,856	4,629	4,771	342	101,598

Included in the above figures are Equipment assets held in a subsidiary undertaking. The total cost is £6,000 with a net book value of £nil (2014- £4,000).
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.

12. Negative Goodwill

	Group and company
	2015
	£000
At 1 April 2014	(43,018)
Release of negative goodwill to income	1,591
At 31 March 2015	(41,427)

13. Investments

	Group and company	
	2015	2014
	£000	£000
At 1 April 2014	170	142
Appreciation of asset investments	2	28
At 31 March 2015	172	170

14. Endowments

	Group and company	
	2015	2014
	£000	£000
At 1 April 2014	4,014	3,920
Donations	-	8
Income	145	140
Disbursements	(298)	(91)
Appreciation of asset investments	8	37
At 31 March 2015	3,869	4,014

15. Stocks

	Group and company	
	2015	2014
	£000	£000
Farm stocks	2,612	2,888
Goods for resale	37	27
	2,649	2,915

16. Debtors

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Trade debtors	4,276	5,815	1,548	2,654
Prepayments and other debtors	2,612	1,614	2,296	1,263
Amounts recoverable on contracts	2,450	2,737	1,441	1,778
Amounts due from fellow Group Companies	-	-	-	1,089
	9,338	10,166	5,285	6,784

17. Creditors: amounts falling due within one year

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Trade creditors	2,654	2,968	2,160	2,336
Other taxation and social security	2,224	1,884	2,224	1,884
Other creditors	680	2,605	641	2,470
Accruals	5,286	4,112	5,177	4,000
Payment received in advance	6,218	6,143	3,432	3,174
Loans (note 19)	54	67	54	67
Finance leases (note 30)	54	7	54	7
Amounts due to fellow group companies	-	-	1,290	-
	17,170	17,786	15,032	13,938

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

	Group and company	
	2015	2014
	£000	£000
Loans	31	81
Obligations under finance leases	214	-
VAT (Lennartz) creditor	15	38
	260	119

19. Loans

Loans repayable, included in creditors are analysed as follows:

	Group and company	
	2015	2014
	£000	£000
Wholly repayable within 5 years-Lloyds TSB	44	97
Wholly repayable within 5 years – Energy Savings Trust	41	51
	85	148

19. Loans (cont'd)

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

Group and company

Unfunded pension liability

	2015 £000	2014 £000
At 1 April 2014	1,238	1,272
Paid in the year	(82)	(80)
Transfer from income and expenditure account	70	46
At 31 March 2015	1,226	1,238

SRUC has an obligation in respect of former employees who have retired early or for whom an enhanced pension has been provided. A valuation of the unfunded liability was carried out at 31 March 2015 by Hymans Robertson LLP, an independent actuarial firm.

21. Deferred capital grants

Group and company

	£000 1 April 2014	£000 Received	£000 Released to Income and expenditure account	£000 31 March 2015
Buildings	36,177	-	(2,930)	33,247
Equipment	4,383	2,359	(1,035)	5,707
	40,560	2,359	(3,965)	38,954

Deferred capital grants receivable in the year are as follows:

	Total £000
Scottish Government	1,133
Scottish Funding Council	1,226
	2,359

22 Revaluation Reserve

	Group and Company £000
At 1 April 2014	52
Revaluation of fixed asset investments in the year	2
At 31 March 2015	54

23. General reserve

	Group £000	Company £000
At 1 April 2014	7,317	6,692
Surplus for the year	2,538	444
Actuarial loss recognised in the statement of recognised gains and losses	(5,584)	(5,584)
At 31 March 2015	4,271	1,552

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

	2015 £000	2014 £000
Operating surplus	2,791	3,285
Pension costs less contributions payable	377	215
Depreciation (note11)	4,359	4,708
Impairment (note11)	34	2,321
Goodwill release (note12)	(1,591)	(2,242)
Deferred capital grants released to income (note21)	(3,965)	(5,914)
Interest received	(56)	(24)
Interest paid (note 10)	7	28
	1,956	2,377
Decrease in stock	266	47
(Increase)/decrease in debtors	(495)	1,961
Increase/(decrease) in creditors	50	(8,121)
Net cash inflow/(outflow) from operating activities	1,777	(3,736)

25. Returns on investments and servicing of finance

	2015 £000	2014 £000
Bank Interest received	56	24
Interest paid on loans and finance charges (note10)	(7)	(28)
Net cash inflow/(outflow) from return on investments and servicing of finance	49	(4)

26. Capital expenditure and financial investment

	2015 £000	2014 £000
Purchase of tangible fixed assets	(2,650)	(3,357)
Proceeds of sale of tangible fixed assets	1,689	422
Deferred capital grants received (note21)	1,813	1,987
Net cash inflow/(outflow) from investing activities	852	(948)

27. Financing

	2015 £000	2014 £000
Repayment of bank loans	(63)	(548)
Net cash outflow from financing activities	(63)	(548)

29. Analysis of changes in net funds

	At 1 April 2014 £000	Net Change £000	At 31 March 2015 £000
Cash in hand and at bank	7,252	2,615	9,867
Debt	(148)	63	(85)
Finance leases	-	(268)	(268)
Net cash	7,104	2,410	9,514

30. Obligations under leases and hire purchase contract

Amounts due under finance leases and hire purchase contracts:

	Group and company	
	2015	2014
	£000	£000
Amounts payable:		
Within one year	54	7
Between two and five years	214	-

As at 31 March 2015, the annual commitment under non-cancellable operating leases was as follows:

	Land and Buildings		Equipment	
	2015	2014	2015	2014
	£000	£000	£000	£000
Operating lease which expire				
Within one year	336	89	7	52
In two to five years	189	48	16	23
In over five years	43	298	-	-

31. 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)

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. The agree contribution rates are 26% for employers and 3 to 8.05% for employees.

31. Pensions (Cont'd)

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 2014. The contributions are set at 9 and 9.5% for employees and 15 and 14.5% for the employer. Additional payments of £265k per annum are made into the plan.

The 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 2014 and updated by Hymans Robertson in order to assess the assets and liabilities of the scheme at 31 March 2015. 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	**2015 £000**	**2014 £000**
Opening defined benefit obligation	27,168	23,890
Current service cost	948	1,075
Interest cost	1,227	1,170
Scheme participants' contributions	21	7
Actuarial losses	4,787	1,145
Benefits paid	(167)	(119)
Benefit obligation as at 31 March	33,984	27,168
Change in scheme assets	**2015 £000**	**2014 £000**
Opening fair value of scheme assets	19,897	18,369
Expected return on scheme assets	968	891
Actuarial gain /(losses)	1,563	(299)
Employer contributions	1,037	1,048
Member contributions	21	7
Benefits paid	(167)	(119)
Fair value of scheme assets as at 31 March	23,319	19,897
Net amount recognised	(10,665)	(7,271)

31. Pensions (Cont'd)

iii) The Citrus Pension Plan (Cont'd)

Contributions totalling £1,100k are expected to be made in the year ended 31 March 2016.
The components of the pension cost are as follows:

	2015 £000	2014 £000
Current service cost	948	1,075
Interest cost	1,227	1,170
Expected return on scheme assets	(968)	(891)
Total pension cost recognised in the income and expenditure account	1,207	1,354

	2015 £000	2014 £000
Actuarial loss immediately recognised	(3,225)	(1,444)
Total pension cost recognised in the statement of recognised gains and losses	(3,225)	(1,444)
Cumulative amount of actuarial gain immediately recognised	(4,218)	(993)

Scheme assets	2015	2014
The weighted average asset allocations at year-end were as follows:	%	%
Equities	62	65
Corporate bonds	27	28
Government bonds	10	7
Cash	1	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 5.36% assumption for the expected return on scheme assets for the year ended 31 March 2015.

	2015 £000	2014 £000
Actual return on scheme assets	2,531	592

Weighted average assumptions used to determine benefit obligations	2015	2014
Discount rate	3.35%	4.45%
Inflation rate	3.10%	3.50%
Rate of salary increase	4.10%	4.50%
Rate of pension increase (RPI capped at 5%)	3.05%	3.30%
Rate of pension increase (RPI capped at 2.5%)	2.15%	2.20%
Rate of pension increase (CPI capped at 2.5%)	1.70%	2.20%
Weighted average assumptions used to determine net pension cost:		
Discount rate	3.35%	4.45%
Expected long term return on scheme assets	5.36%	4.79%

31. Pensions (Cont'd)

iii). The Citrus Pension Plan (Cont'd)

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

	2015	2014
Member Age 65 (current life expectancy)	24.1	23.1
Member Age 50 (life expectancy at age 65)	24.8	23.6

Five year history: £000	**2015**	**2014**	**2013**	**2012**	**2011**
Benefit obligation at 31 March	(33,984)	(27,168)	(23,890)	(20,703)	(17,155)
Fair value of scheme assets at 31 March	23,319	19,897	18,369	15,834	14,693
(Deficit)/surplus	(10,665)	(7,271)	(5,521)	(4,869)	(2,462)
Experience gains and (losses) on scheme assets					
Amount £000	1,563	(299)	956	(584)	343
Percentage of scheme assets	6.7%	(1.5%)	5.2%	(3.7)%	2.3%
Experience gains and (losses) on scheme liabilities:					
Amount £000	1,973	53	(1)	(1,654)	201
Percentage of scheme liabilities	5.8%	0.2%	(0)%	(8.0)%	1.2%

Balance sheet position

Assets	**Long term return %p.a.**	**Fund value at 2015 £000**	**Long term return %p.a.**	**Fund value at 2014 £000**	**Long term return %p.a.**	**Fund value at 2013 £000**
Equities	3.35	14,495	6.00	12,933	5.50	11,940
Corporate Bonds	3.35	6,391	4.50	5,571	4.80	5,143
Government Bonds	3.35	2,263	3.50	1,393	3.00	1,286
Cash		170	0	-	0	-
Total value of assets		23,319		19,897		18,369
Actuarial value of liabilities		(33,984)		(27,168)		(23,890)
Net pension liability		(10,665)		(7,271)		(5,521)

31. Pensions (Cont'd)

iv) Dumfries and Galloway Council Pension Fund (DGCPF)

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

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 2014 and updated by Hymans Robertson in order to assess the assets and liabilities of the scheme at 31 March 2015. 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	**2015 £000**	**2014 £000**
Opening defined benefit obligation	6,660	5,970
Current service cost	236	224
Interest cost	292	273
Schemes participants' contributions	42	53
Actuarial losses	1,644	241
Benefits paid	(158)	(101)
Benefit obligation as at 31 March	8,716	6,660
Change in scheme assets		
Opening fair value of scheme assets	5,510	4,943
Expected return on scheme assets	332	250
Actuarial (losses)/gains	203	192
Employer contributions	160	173
Member contributions	42	53
Benefits paid	(162)	(101)
Fair value of scheme assets as at 31 March	6,085	5,510
Net amount recognised	(2,631)	(1,150)

Contributions totalling £211k are expected to be made in the year ended 31 March 2016.

The components of the pension cost are as follows:

	2015 £000	**2014 £000**
Current service cost	236	224
Interest cost	292	273
Expected return on scheme assets	(332)	(250)
Total pension cost recognised in the income and expenditure account	196	247
Actuarial loss immediately recognised	(1,441)	(49)
Total pension cost recognised in the statement of recognised gains and losses	(1,441)	(49)
Cumulative amount of actuarial gain immediately recognised	(1,758)	(317)

31. Pensions (Cont'd)

iv) Dumfries and Galloway Council Pension Fund (DGCPF)

Scheme assets	**2015**	**2014**
The weighted average asset allocations at year-end were as follows:	%	%
Equities	74	75
Bonds	16	15
Property	10	8
Cash	0	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 3.2% assumption for the expected return on scheme assets for the year to 31 March 2015.

	2015	**2014**
	£000	**£000**
Actual return on scheme assets	718	443

Weighted average assumptions used to determine benefit obligations:	**2015**	**2014**
Discount rate	3.20%	4.30%
Rate of salary increase	4.30%	5.10%
Rate of pension increase	2.40%	2.80%
Weighted average assumptions used to determine net pension cost:		
Discount rate	3.20%	4.30%
Expected long term return on scheme assets	3.20%	6.00%

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

	2015	**2014**
Male Member Age 65 (life expectancy at 65)	22.7	23.0
Male Member Age 45 (life expectancy at 65)	24.5	24.9
Female Member Age 65 (life expectancy at age 45)	24.0	25.6
Female Member Age 45 (life expectancy at age 65)	26.7	27.7

History: £000	**2015**	**2014**	**2013**
Benefit obligation at 31 March	(8,716)	(6,660)	(5,970)
Fair value of scheme assets at 31 March	6,085	5,510	4,943
Deficit	(2,631)	(1,150)	(1,027)

31. Pensions (Cont'd)

iv) Dumfries and Galloway Council Pension Fund (DGCPF)

	2015	2014	2013
Experience gains on scheme assets:			
Amount £000	203	192	397
Percentage of scheme assets	3.7%	3.5%	8.0%
Experience (losses) on scheme liabilities:			
Amount £000	(1,644)	(311)	(4)
Percentage of scheme liabilities	24.7%	4.7%	0.1%

Balance sheet position

Assets	Long term return %p.a.	Fund value at 2015 £000	Long term return %p.a.	Fund value at 2014 £000	Long term return %p.a.	Fund value at 2013 £000
Equities	3.20	4,503	6.60	4,133	5.80	3,263
Bonds	3.20	974	3.90	826	3.40	1,186
Property	3.20	608	4.80	441	3.90	395
Cash	3.20	-	3.70	110	3.00	99
Total value of assets		6,085		5,510		4,943
Actuarial value of liabilities		(8,716)		(6,660)		(5,970)
Net pension liability		(2,631)		(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 SRUC and was closed to new members on 1 October 2012. A formal valuation of the scheme was carried out as at 31 March 2014. The contributions are set at 5.5% to 7% for employees and 20.2% for the employer.

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.

The valuation used for FRS 17 disclosures has been based on the most recent triennial actuarial valuation which took place on 31 March 2014 and updated by Hymans Robertson in order to assess the assets and liabilities of the scheme at 31 March 2015. 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	2015 £000	2014 £000
Opening defined benefit obligation	12,757	11,500
Current service cost	367	409
Interest cost	589	522
Scheme participants' contributions	63	80
Actuarial losses	109	576
Benefits paid	(340)	(330)
Benefit obligation as at 31 March	13,545	12,757

SRUC

31. Pensions (Cont'd)

v) Fife Council Pension Fund ("FCPF")

Change in scheme assets	2015	2014
	£000	£000
Opening fair value of scheme assets	10,295	9,556
Expected return on scheme assets	619	499
Actuarial gains	(122)	148
Employer contributions	328	342
Member contributions	63	80
Benefits paid	(340)	(330)
Fair value of scheme assets as at 31 March	10,843	10,295
Net amount recognised	(2,702)	(2,462)

Contributions totalling £206k are expected to be made in the year ended 31 March 2016.

The components of the pension cost are as follows:

	2015	2014
	£000	£000
Current service cost	367	409
Interest cost	589	522
Expected return on scheme assets	(619)	(499)
Total pension cost recognised in the income and expenditure account	337	432
Actuarial loss immediately recognised	(231)	(428)
Total pension cost recognised in the statement of recognised gains and losses	(231)	(428)
Cumulative amount of actuarial loss immediately recognised	(714)	(483)

Scheme assets	2015	2014
The weighted average asset allocations at year-end were as follows:	%	%
Equities	72	71
Bonds	16	16
Property	8	9
Cash	4	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 3.2% assumption for the expected return on scheme assets for the year to 31 March 2015.

31. Pensions (Cont'd)

v) Fife Council Pension Fund ("FCPF")

	2015 £000	2014 £000
Actual return on scheme assets	1,460	647

Weighted average assumptions used to determine benefit obligations:	**2015**	**2014**
Discount rate	3.20%	4.30%
Rate of salary increase	3.50%	5.10%
Rate of pension increase	2.40%	2.80%
Weighted average assumptions used to determine net pension cost:		
Discount rate	3.20%	4.30%
Expected long term return on scheme assets	3.20%	6.00%

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

	2015	2014
Male Member Age 65 (life expectancy at 65)	22.0	23.0
Male Member Age 45 (life expectancy at 65)	24.1	24.9
Female Member Age 65 (life expectancy at age 45)	23.7	25.8
Female Member Age 45 (life expectancy at age 65)	26.4	27.7

History: £000	**2015**	**2014**	**2013**
Benefit obligation at 31 March	(13,545)	(12,757)	(11,500)
Fair value of scheme assets at 31 March	10,843	10,295	9,556
(Deficit)	(2,702)	(2,462)	(1,944)

	2015	**2014**	**2013**
Experience gains and (losses) on scheme assets:			
Amount £000	(122)	148	778
Percentage of scheme assets	1.2%	1.4%	8.1%
Experience gains and (losses) on scheme liabilities:			
Amount £000	1,021	(944)	(4)
Percentage of scheme liabilities	8.0%	6.9%	0.1%

31. Pensions (Cont'd)

v) Fife Council Pension Fund ("FCPF")

Balance sheet position

Assets	Long term return %p.a.	Fund value at 2015 £000	Long term return %p.a.	Fund value at 2014 £000	Long term return %p.a.	Fund value at 2013 £000
Equities	3.20	7,807	6.70	7,309	5.80	6,785
Bonds	3.20	1,735	4.00	1,647	3.80	1,529
Property	3.20	867	4.80	927	3.09	764
Cash	3.20	434	3.70	412	3.00	478
Total value of assets		10,843		10,295		9,556
Actuarial value of liabilities		13,545		(12,757)		(11,500)
Net pension liability		(2,702)		(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 SRUC and was closed to new members on 1 October 2012. A formal valuation of the scheme was carried out as at 31 March 2014. The contributions are set at 5.5 to 6.8% for employees and 25.1% for the employer.

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 2014 and updated by Hymans Robertson in order to assess the assets and liabilities of the scheme at 31 March 2015. 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	**2015 £000**	**2014 £000**
Opening defined benefit obligation	5,545	5,014
Current service cost	139	150
Interest cost	248	227
Scheme participants' contributions	34	34
Actuarial losses	1,548	231
Losses on curtailment	-	11
Benefits paid	(140)	(122)
Benefit obligation as at 31 March	7,374	5,545

Change in scheme assets	**2015 £000**	**2014 £000**
Opening fair value of scheme assets	4,344	4,048
Expected return on scheme assets	265	216
Actuarial gains	705	27
Employer contributions	119	131
Member contributions	34	34
Benefits paid	(140)	(112)
Fair value of scheme assets as at 31 March	5,327	4,344
Net amount recognised	(2,047)	(1,201)

31. Pensions (Cont'd)

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

Contributions totalling £162k are expected to be made in the year ended 31 March 2016.

The components of the pension cost are as follows:

	2015 £000	2014 £000
Current service cost	139	150
Interest cost	248	227
Expected return on scheme assets	(265)	(216)
Losses on curtailment	-	11
Total pension cost recognised in the income and expenditure account	122	172
Actuarial loss immediately recognised	(843)	(114)
Total pension cost recognised in the statement of recognised gains and losses	(843)	(114)
Cumulative amount of actuarial loss immediately recognised	(1,081)	(238)

Scheme Assets	2015	2014
The weighted average asset allocations at year-end were as follows:	%	%
Equities	69	77
Bonds	17	9
Property	8	8
Cash	6	6
	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 3.2% assumption for the expected return on scheme assets for the year 31 March 2015.

	2015 £000	2014 £000
Actual return on scheme assets	747	243

	2015	2014
Weighted average assumptions used to determine benefit obligations:		
Discount rate	3.20%	4.30%
Rate of salary increase	4.30%	5.10%
Rate of pension increase	2.40%	2.80%

31. Pensions (Cont'd)

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

Weighted average assumptions used to determine net pension cost:	**2015**	**2014**
Discount rate	3.20%	4.30%
Expected long term return on scheme assets	3.20%	6.10%

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

Male Member Age 65 (life expectancy at 65)	22.1	20.4
Male Member Age 45 (life expectancy at 65)	24.2	22.6
Female Member Age 65 (life expectancy at age 65)	23.7	22.8
Female Member Age 45 (life expectancy at age 65)	26.3	25.4

History: £000	**2015**	**2014**	**2013**
Benefit obligation at 31 March	(7,374)	(5,545)	(5,014)
Fair value of scheme assets at 31 March	5,327	4,344	4,048
Deficit	(2,047)	(1,201)	(966)
Experience gains on scheme assets :			
Amount £000	705	27	368
Percentage of scheme assets	16.2%	0.6%	9.1%
Experience losses on scheme liabilities:			
Amount £000	(501)	(197)	(3)
Percentage of scheme liabilities	9.0%	3.4%	0.1%

Balance sheet position

Assets	**Long term return %p.a.**	**Fund value at 2015 £000**	**Long term return %p.a.**	**Fund value at 2014 £000**	**Long term return %p.a.**	**Fund value at 2013 £000**
Equities	3.20	3,675	6.60	3,345	5.70	3,198
Bonds	3.20	906	3.90	391	3.50	324
Property	3.20	426	4.80	347	3.90	364
Cash	3.20	320	3.70	261	3.00	162
Total value of assets		5,327		4,344		4,048
Actuarial value of liabilities		(7,374)		(5,545)		(5,014)
Net pension liability		(2,047)		(1,201)		(966)

31. Pensions (Cont'd)

Summary of FRS17 net Pension liabilities

	2015	*2014*
	£000	*£000*
Citrus Pension Plan	(10,665)	(7,271)
Dumfries and Galloway Pension Fund	(2,631)	(1,150)
Fife Council Pension Fund	(2,702)	(2,462)
Lothian Council Pension Fund	(2,047)	(1,201)
Total net pension liability	(18,045)	(12,084)

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% rising to 17.2% on 1 September 2015 for employers and range from 6.4% - 12.4% for employees.

The last actuarial valuation of the scheme for which information is available was at 31st March 2009. The updated valuation to 31 March 2012 is still to be finalised. The results of this valuation were rolled forward to give a liability at 31 March 2014. The assumptions that have had the most significant effect on this valuation and other relevant information are as follows below.

Rate of increase in salaries	4.50%
Inflation assumption	2.50%
Discount rate	4.35%

The actuarial value of the STSS scheme at 31 March 2014 showed a deficiency of £27.1 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.

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33. Bursary and other student support funds

	Bursary	Hardship	EMA's	Other	2015 Total £000	2014 Total £000
1 April 2014	(113)	93	(2)	-	(22)	411
Received during the year	1,554	168	155	3	1,880	2,248
Refunded to SFC	(175)	(98)	-	-	(273)	
Expenditure	(1,218)	(120)	(173)	(2)	(1,513)	(2,681)
31 March 2015	48	43	(20)	1	72	(22)

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

Childcare Funds

	2015 £000	2014 £000
1 April 2014	362	218
Received in year	185	233
Refunded to SFC	(146)	-
Expenditure	(132)	(89)
31 March 2015	269	362

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 LLP 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