

# REPORT AND FINANCIAL STATEMENTS

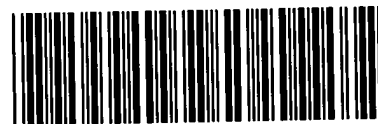
31 MARCH 2022

COMPANIES HOUSE  
20 DEC 2022  
EDINBURGH MAILBOX



## SRUC

TUESDAY



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20/12/2022

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COMPANIES HOUSE



Registered Number: SC103046  
Charity Number: SC003712

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## Principal's Report



**2021-22 was a year in which SRUC's achievements were driven by the purpose and identity defined in our Vision and Mission, which clearly sets out our ambition to be Scotland's enterprise university at the heart of our sustainable natural economy.**

We have taken the opportunity to hold true to the values we have established and used them as critical reference points in our decision-making. I have witnessed exceptional leadership, energy and focus across SRUC, and commitment and dedication at every level. Together, we have made extraordinary progress and successes in another challenging year.

It is how we responded to those challenges – and how we continue to do so in future – that I believe sets us apart as an institution. The pandemic has had a devastating impact on many people's lives, and I am immensely proud of the way SRUC has come together as a community to navigate our way through unprecedented levels of challenge, complexity and uncertainty. And just as we have been steadfast in supporting our own students and staff and helped them to thrive amid uncertainty, we have adopted a similar approach in how we engage with our many stakeholders in the business community. It is our job to help them share in the knowledge and skills needed to meet a daunting future with growing confidence, making SRUC central to the pursuit of higher sustainable productivity and faster growth in our shared natural economy.

Although our post-COVID world is yet to be fully defined, dealing with uncertainty and an unknowable future requires us to build adaptability and resilience into our leadership and culture. Our sense of purpose, was a key factor in attracting new members of the Board and Executive Leadership Team and is a core tenet of our collective leadership.

After saying a fond farewell to our Chair, Sandy Cumming in April 2022, we bid a warm welcome to his successor, Linda Hanna.

Our new Chair brings a breadth of leadership and economic development expertise which she has built through her career at Scottish Enterprise. She has worked locally, nationally, and internationally at the most senior levels with companies, industry, academia and government. Linda's network and expertise is hugely relevant to our goal of embedding enterprise at the heart of our mission through working collaboratively to convert the twin challenges of climate change and biodiversity loss into new opportunities for society and the economy.

We have also seen considerable change in the makeup of the Executive Leadership Team. In summer 2021, we said goodbye to Colin MacEwan as Director of Commercialisation and Andrew Lacey was confirmed in the role of Vice Principal, Commercial.

We also welcomed Mary Thomson and Ian Grinbergs in their critical new posts as Vice Principal, Skills and Lifelong Learning, and Chief Digital and Information Officer.

Our leadership team was completed recently with the appointment of Dr Susannah Bolton in the new post of Vice Principal – Enterprise and Knowledge Exchange.

These new appointments are designed to support how SRUC engages positively with key strategic initiatives including Scotland's National Strategy for Economic Transformation and the UK Research and Innovation's (UKRI) Strategy 2022–27: Transforming tomorrow together.

As well as bringing challenges, 2021–22 was a year of significant achievements, each of which stand as impressive testament to the resilience and talent of our people.

A longstanding institutional ambition took a significant leap forward in 2021–22 when our Taught Degree Awarding Powers (TDAP) submission went straight through to scrutiny approval. Our year-long assessment period began in February 2022.

We submitted a single Unit of Assessment, Agriculture, Veterinary and Food Science (UoA6) to the Research Excellence Framework (REF) with the University of Edinburgh. We increased our staff base returned to REF by 83%, returning 111 staff and SRUC research underpinned 8 out of 11 impact case studies (ICs) submitted. Alongside our REF submission SRUC was awarded £5.6 million to underpin the RESAS Strategic Research programme and a further £4.6 million to deliver Scotland's Veterinary and Advisory Services Programme (VAS).

These research grants and contracts reflect SRUC's strategic importance and relevance to Scotland's innovation ecosystem and provide a strong foundation for the next stages of our submission for Research Degree Awarding Powers (RDAP) and our eventual status as a University.

*A £2.5 million extension of the Farm Advisory Service (FAS) contract was negotiated, and a high-quality tender for the next FAS programme was submitted on 30 November, with a total contract value of £8 million awarded for a two year period.*

Alongside the launch of our Food & Farming Footprint consultancy service focusing on the climate emergency, the value of our Knowledge Exchange (KE) activities and impact on industry goes from strength to strength. The launch of a Qualitative Behavioural Analysis (QBA) app with Waitrose, and the new contracts secured for AgreCalc across a range of sectors speaks to an innovation and KE agenda that is now gathering pace and broad recognition.

The QBA work – led by Professor Francoise Wemelsfelder in collaboration with Waitrose – won a prestigious BBC Food and Farming Award in November for 'Farming for the Future Prize'. Alongside these successes SRUC is leading an innovative new venture with academic, industry and civic partners collaborating on a 'Digital Dairy Value-Chain for South-West Scotland and Cumbria'. SRUC was awarded more than £21 million from UK Research and Innovation's Strength in Places (SIP) fund to transform Scotland's dairy industry, one of five awards across the UK and Scotland's only awardee. This reinforces SRUC's role as an anchor institution with a place-based focus.

During 2021 SRUC had the highest ever application levels to our courses, with an additional 7.5 per cent increase on the previous year. In the years ahead, following the major progress we have made in the creation of our new Vet School, we are looking forward to applications rising further still, with its recruitment campaigns beginning in Spring 2022 ahead of our first student intake in September 2023.

Cath Seeds, Programme Leader in Wildlife Management was shortlisted for the prestigious Times Higher Education Awards for Innovative Teacher of the Year. Her creation of video recorded field trips and engaging digital content for her students during the pandemic was recognised as one of the most innovative approaches in the sector.

In summary, I am pleased to report that SRUC is exceptionally well positioned to respond positively to both the challenges and opportunities that will emerge over the coming years and decades.

Our unique offering as a tertiary, place-based HEI focussed on the Natural Economy provides both a source of resilience and creativity to respond to an 'unknowable future'.



**Professor Wayne Powell**  
**13 September 2022**

# Strategic Report

The directors present the Strategic Report of SRUC for the year ended 31 March 2022. The aim of the Strategic Report is to provide stakeholders with the ability to assess how the directors have performed their duty to promote the success of SRUC.

The format of the financial statements is in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019 and in accordance with Financial Reporting Standards (FRS 102). SRUC is a public benefit entity and therefore has applied the relevant public benefit requirements of FRS 102.

## Principal Operations

SRUC is a unique institution founded on world-class research.

In the recently published 2021 Research Excellence Framework (REF) – a peer assessment of the quality of UK universities' research across all disciplines – SRUC, with University of Edinburgh – our submission partner, reaffirmed its research strength by demonstrating the greatest research power (volume x quality) in Agriculture, Food and Veterinary Sciences.

SRUC's research impact scored particularly highly with 100 per cent of the impact case studies judged as being 'outstanding' or 'very considerable' in terms of reach and significance.

SRUC's tertiary model delivers comprehensive skills, education, business support and consultancy services for Scotland's rural industries, and associated food and drink sector. The integration of these three complementary 'knowledge exchange' services is of significant value to all with an interest in land-based activities – be they students, businesses, communities or policymakers.

During the year to 31 March 2022 the main education and research activities operated from six campuses in Aberdeen, Ayr, Broxburn, Cupar, Dumfries and Edinburgh. Consultancy Services are delivered through a network of 24 Farm and Rural Business Services offices, five Veterinary Disease Surveillance Centres and the Central Diagnostic Laboratory. In addition, SRUC operates six farms, holiday-let wigwams, a golf course and Scotland's National Equestrian Centre (SNEC).

## 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").

The primary purpose activities of SRUC as the parent charitable company are transacted through that company with the trading activities transacted through SAC Commercial Limited. The profits of SAC Commercial are surrendered by way of gift aid through The SAC Foundation.

A full statement of the Board's responsibilities is detailed on page 31, membership of the Board is detailed on page 15 and the Board's corporate governance arrangements are detailed on pages 27-30. 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 direct funding and contractual income for its research, veterinary and advisory activities from the Scottish Government.

In these financial statements SRUC Group at 31 March 2022 is taken to include SRUC and its directly controlled subsidiaries SAC Commercial Limited and the SAC Foundation.

### SRUC Strategic Aims 2020-2025

SRUC's new model will deliver to the needs of society, developing a world class AgriFood University.

As well as having alignment to the UN Sustainable Development Goals with environmental sustainability at our core, we will ensure translational impact focused on economic growth and productivity.

#### Vision

To be Scotland's Enterprise University at the heart of our sustainable natural economy.

#### Mission

Our mission is to create and mobilise knowledge and talent, partnering locally and globally to benefit Scotland's natural economy.

#### Values

**Respect** - we will recognise that everyone in the organisation makes a contribution to our success.

**Innovate** - we don't wait for things to happen, we constructively challenge how things are done.

**Support** - we look beyond the boundary of our own roles to support others and share knowledge.

**Excel** - we take pride in contributions, we have high standards of excellence and always work to our core values.



## Financial Highlights

### Results for the year

Reconciliation of total comprehensive income to operating performance.

	2022 £m	2021 £m
Total comprehensive (loss)/ income	10.7	(3.6)
Actuarial loss/(gain)	(11.6)	3.7
Movement in fair value of investments	(0.3)	(1.0)
Severance costs	0.2	-
(Gain)/loss on fixed asset disposals	0.4	-
Excess holiday accrual	(0.4)	0.9
Impairment	3.3	2.3
Release of deferred grants relating to impairment	(2.2)	(1.6)
Other non-recurring items	-	0.2
<b>Operational surplus/ (deficit)</b>	<b>0.1</b>	<b>0.9</b>

The Statement of Comprehensive Income reports a total surplus on comprehensive income of £10.7m for the year (2021: deficit of £3.6m). The underlying operating position was a surplus of £0.1m (2021: £0.9m) as shown in the table above.

The Statement of Comprehensive Income shows an increase in turnover of £8.9m from 2021 (2021: decrease by £2m on 2020). When the figures are adjusted for the deferred grants released in respect of fixed assets, turnover has increased by £5.9m (2021: decrease by £3.3m).

In what was a challenging year across the whole sector, SRUC again delivered an underlying operating surplus. The result demonstrates the strength and resilience of the SRUC model as different areas' over delivery mitigate risk in other divisions; and the overall successful implementation of the mitigation plans pursued throughout the pandemic.



SRUC is in the process of remodelling the long-term financial outcomes arising from the delivery of the Strategic Plan. A new balanced scorecard will be derived from this with a new set of Key Performance Indicator targets.

From a financial KPI perspective, these will ensure that the projected growth is achieved on a sustainable basis. As at 31 March 2022, the fundamentals remain positive:

- **An underlying operating surplus;**
- **Growth in underlying revenues (8%)**
- **Strong balance sheet with £15.6m of current asset investments and £20.5m of cash at bank and in hand.**

The updated modelling will derive new targets which indicate how the SRUC operating model needs to adapt to drive growth sustainably, e.g. reassessing staff cost ratios, campus and estates costs and the role of digital.

For the year ended 31 March 2022, SAC Commercial Ltd made a profit of £898k and after payment of £954k of gift aid, had a retained deficit for the year of £56k (2021: £47k).

### Balance Sheet

	2022	2021
	£m	£m
Net assets	17.9	7.2

The main reason for the significant increase in net assets is the actuarial gain of £11.6m in respect of pension schemes.

### Fixed Assets

The net book value of Intangible and Tangible fixed assets at 31 March 2022 was £74.0m (2021: £78.7m). Additions in the year amounted to £6.8m (2021: £2.6m) and include the Veterinary nursing skill facility at our Craibstone campus and new equipment for improved student experience at Barony and Craibstone Campus and significant building preparations at our Inverness research hub. Other significant additions relate to digital technology.

The COVID-19 pandemic impacted the way SRUC provides its services. Given the SRUC business model and the measured response to the pandemic it was concluded that no group of assets' carrying amount is lower than its value in use and no impairment was recognised in the financial statements as the result of COVID-19.

The impairment that is recognised in the year of £3.3m is the result of review of useful life of our properties, specifically the Riverside campus in Ayr.

### Investments and Endowments

The value of investments and endowments increased by £0.4m to £6.0m. The increase brought the value back to the level before the significant market drop in March 2020.

### Cash and Treasury Management

The bank and cash balance (including short term deposits) held by SRUC at 31 March 2022 was £36.1m, an increase of £9.6m. This reflects new loans received during the year offset by capital spend.

### Pension Liability

Total pension liability at 31 March 2022 was £16.2m, a decrease of £11.5m from 2021. The significant fall in pension deficit is caused by assumption changes arising from the economic environment (inflation and Ukraine crisis). The total pension liability relates to the four final salary pension schemes operated by SRUC. The liability was adjusted for the estimated impact of the Guaranteed Minimum Pension ruling (GMP) and the McCloud judgement.

Three of the schemes are Local Government Pension schemes with a combined deficit of £1.2m and the other scheme, Citrus, is a multi-employer scheme which had a deficit of £15.0m at the year end. Deficit recovery plans are in place. The impact of the Goodwin court judgement from June 2020 was considered and concluded to have an immaterial effect on the year end liability.

### Principal Risks and Uncertainties

In common with other Higher Educational Institutions (HEIs), SRUC has to understand, manage and mitigate key risks which could impact key strategic objectives.

#### Significant Risks

- Cyber-security threats
- Staff & student wellbeing and mental health
- On-going economic volatility
- Climate change commitments
- Equal pay legal risks
- Public sector spending reductions and policy changes influenced by:
  - External political and economic uncertainty
  - Student funding uncertainty
  - Common Agricultural Policy reform/Brexit.
- 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.
- Reduced number of available students in Scotland, increasing competition in the sector.
- Viability/suitability of the large physical estate.
- Funding sources for capital investment.

These significant risks are addressed through SRUC's integrated risk management systems.

SRUC has engaged pension advisors to perform a review of the pension schemes to assist in managing, and where possible, mitigating the liabilities to reduce future exposure and risk. Work is progressing on the assessment of the future estates operating model which supports strategic aims and is financially sustainable.

The COVID-19 pandemic significantly changed the world and the sector that SRUC operates in. The risks arising from this change are varied. From the very outset of the outbreak we maintained effective two-way communication with our staff, students and customers; and throughout the pandemic, a focus on collective safety, health and wellbeing was paramount.

While we don't yet know what the long-term impact on costs the pandemic will have, SRUC continues regular meetings of its Covid-19 Strategic Group, which includes a wide range of senior operational managers from across SRUC as well as trade union, health & safety and student (SRUCSA) involvement.

*The war in Ukraine continues to have a global impact on raw material, energy and food prices, with the subjects of inflation and cost of living regularly making the headlines. The expected inflation and cost of living pressures are included in our financial planning.*

There is uncertainty about the total cost of the impact, but significant increases are embedded mainly in the forecast utilities costs. Meanwhile, capital budgets are reviewed regularly to monitor impact on the cost.

The outcome of the Brexit agreement impacts our ability to collaborate in cross-European research projects which we have historically participated in. There is also a potential risk to the supply chain for certain consumables, particularly for the vets.

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 Leadership Team (ELT), the Audit & Risk Committee and the Board. SRUC has developed Risk Registers for each of the main operating areas.

Our internal auditors (KPMG) undertook a full review of SRUC's risk management systems during 2020. The effectiveness of the approach taken during the pandemic was recognised and welcomed. In addition, some specific enhancement measures were identified and are now being implemented to ensure a connected and holistic approach to managing risk and ensuring alignment between individual operational risk frameworks and the overall institutional corporate risk register.

### Financial Risk Management Policy

The Group's principal financial instruments comprise cash, cash equivalents and 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 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. At the year end SRUC group held £36.1m in cash and cash equivalents.

#### 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. There were no active hedging contracts in place during the financial year to 31 March 2022.

### Future Developments and Factors Influencing Performance

SRUC is growing its top line across its diverse range of activities as it pursues its strategy of becoming a new kind of Enterprise University. The scrutiny period for achieving Taught Degree Awarding Powers (TDAP) is progressing well and the plans for Research Degree Awarding Powers (RDAP) are also moving forward. These moves will enable SRUC to have direct control of the levers that will deliver the strategy.

Part of this evolution is the review of the education portfolio which will result in new education offerings coming on stream, such as the new HND in Rural Animal Health. The first course of its kind in the UK, it will capitalise on the growing demand for Veterinary Technicians as a significant addition to Veterinary teams working in rural animal practice.

Also admitting its first cohort of students in September 2022 at the postgraduate end of the tertiary education spectrum is the Master of Research (MRes) in Zoonoses and Epidemiology. Course delivery is set in a global and Planetary Health context, illustrating the role of epidemiological sciences in addressing real-world problems, vital to farmers everywhere.

Combined with the Learning and Teaching Strategy and the Digital and Estates Strategies, SRUC's tertiary education model is evolving to be fit-for-purpose for what Scotland needs into the future.

The research landscape is also evolving as Scottish and UK government policies align to the future needs of the country given the challenges of net zero, climate change, ecological sustainability, biodiversity loss and food security. SRUC is well placed to benefit from this, particularly in light of its research power of Agriculture, Food and Veterinary Sciences (along with the University of Edinburgh) being ranked as number one in the UK based on the quality and breadth of work in REF 2021, and is working hard to realign priorities around these themes.

An example of the strategy already in progress is the development of the £11 million Rural and Veterinary Innovation Centre (RAVIC), based at the Inverness campus of Highlands and Islands Enterprise.

Funded by a combination of an ERDF grant and SFC loan the main contractor has been formally appointed and construction is scheduled to complete in summer 2023.

The centre will harness expertise in big data and research into animal epidemiology to create and grow businesses. It will help develop products and services to better monitor, track and ultimately manage animal diseases.

Now planning has been granted, and the funding package confirmed, the team at RAVIC is looking for new and existing small to medium-sized animal biotech businesses interested in joining as potential partners.

The centre will offer them development laboratories and business facilities, and they will have access to expertise and the burgeoning life sciences community in Inverness.

The Rural and Veterinary Innovation Centre will be an important addition to expanding the biotech community in Inverness. The new centre will grow jobs and the economy. With a heightened awareness of the link between human and animal epidemiology, this new initiative is at the right time and in the right place.

The site will also support the development of the new SRUC Veterinary School, which will be headquartered in Aberdeen but delivered across the country.

The fact we have more animal and veterinary scientists than almost any other institution in Europe, as well as a national network of veterinary hubs and consulting offices, means we are able to provide a solid basis for a distributed model of learning.

We are already the biggest provider of veterinary nursing, livestock husbandry and animal care training in Scotland, and will be able to offer a core veterinary programme to address existing shortages in veterinary provision, in areas such as rural veterinary practice, food production, food safety and animal and public health.

SRUC's new HNC/HND course in Rural Animal Health is recruiting well for students in the academic year 2022/23 that will feed directly into the future Bachelor of Veterinary Science degree course.

Also key to SRUC's ambition is working closely with industry, and this is exemplified by the significant investment taking place in the south west of Scotland.

Our proposed state-of-the-art Dairy Nexus at our Barony campus has moved a step closer with the signing of the Borderlands Inclusive Growth Deal and an investment of £8 million.

With a strong focus on collaborative innovation across the milk supply chain, it will drive down carbon emissions, accelerate productivity growth and develop new products from the dairy sector in Cumbria, Dumfries and Galloway, and right across the Borderlands.

Dairy Nexus dovetails with the Digital Dairy Chain, a hugely exciting project which received £21 million from UKRI's Strength in Places Fund.

More than 100 stakeholders attended the official launch of the project at Barony in June 2022. It will provide a world-class platform for business innovation in advanced, sustainable, high-value dairy processing.

The south west of Scotland and Cumbria will become the "go to" region for future investment in high-tech dairy processing. Aligning with Scotland's Strategy for Economic Transformation, it is planned that the Digital Dairy Chain will eventually lead to the creation of more than 600 jobs and generate £60m a year of additional value.

Working with local and national businesses, the Digital Dairy Chain will transform the region's dairy production systems and establish it as a global leader in advanced, sustainable and high-value dairy manufacturing.

It will foster entrepreneurship, create new market opportunities, add new skills to the workforce and lay the foundations for more productive regions, all while making the critical journey towards net zero.

Like other organisations and individuals, SRUC must contend with the macroeconomic changes brought about by the war in Ukraine, which has contributed to increased inflation and a cost of living crisis.

However, projects such as the Digital Dairy Chain signal our intent for SRUC to be a key player in Scotland's economic recovery while also playing our part in solving some of the 'wicked challenges' that are apparent across the globe today.



**Wayne Powell**  
Principal and Chief Executive

**13 September 2022**

# Directors' Report

Registered No: SC103046

The directors present their report for the year ended 31 March 2022.

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

	Date of Appointment	Date of Retirement	Status of Appointment
Dr M Aitchison (union representative)	10 Dec 2019	Dec 2022	Non-Executive
Miss R Asli (student member)	1 July 2021	30 June 2023	Non-Executive
Mr D Bell	15 Dec 2020	Dec 2023	Non-Executive
Mrs A Bruton OBE	13 June 2019	June 2025	Non-Executive
Mrs J Craigie	15 Dec 2020	Dec 2023	Non-Executive
Mr J Cumming CBE (Chairman from 1 August 2017)	1 Apr 2011	5 April 2022	Non-Executive
Prof Sir P Downes	30 March 2021	March 2024	Non-Executive
Ms J Fortune (union representative)	10 Dec 2019	Dec 2022	Non-Executive
Ms K Hammond (staff elected)	13 Dec 2018	14 Oct 2021	Non-Executive
Mrs L Hannia (Chair from 6 April 2022)	6 April 2022	April 2025	Non-Executive
Mr K Hamilton (student elected)	1 Jul 2020	30 June 2021	Non-Executive
Mr J Hume	6 Oct 2017	Sept 2023	Non-Executive
Mrs M Khnichich	13 June 2019	June 2025	Non-Executive
Ms E Murray OBE	3 Sept 2019	Sept 2025	Non-Executive
Mr A Peddie	30 March 2021	March 2024	Non-Executive
Professor W Powell	1 Jul 2016	n/a	Chief Executive
Mr Z Reilly (staff member)	14 Dec 2021	Dec 2024	Non-Executive
Mr W Ross OBE	6 Oct 2017	Sept 2023	Non-Executive
Miss C Sangster (student elected)	1 Jul 2020	30 June 2022	Non-Executive
Mr C Sayers	15 Dec 2020	Dec 2023	Non-Executive
Professor M Smith	14 Oct 2021	Oct 2024	Non-Executive
Mr S Thomson (staff elected)	13 Dec 2018	30 Sept 2021	Non-Executive
Professor C Williams OBE	9 Oct 2015	30 Sept 2021	Non-Executive
Mr B Wood CVO (Vice Chair from October 2020)	6 Oct 2017	Sept 2023	Non-Executive



Non-Executive Directors are appointed for a term of up to three years. They are eligible for reappointment for one further term. The Board reviews appointments on a quarterly basis and appointments do not necessarily run to the full term. The Chair is elected for a period of three years and may be appointed for a further consecutive period of three years. In line with the Higher Education Governance (Scotland) Act 2016, the Chair became an elected position on the retirement of the previous Chair in April 2022. Staff members are elected for a term of three years and can choose to run for re-election for one further three-year term. Union representatives are appointed for a term of three years and can be nominated by the relevant Trades Union for one further three-year term. Students are appointed for one year – i.e. the length of their elected office – but if they are re-elected to the co-President position they can choose to remain on the SRUC Board for a further 1 year term.

The Executive Leadership Team (ELT) is responsible for the day-to-day management and currently consists of:

Principal and Chief Executive	Professor Wayne Powell
Chief Academic Officer	Professor Jamie Newbold
Director of Commercialisation & Innovation	Colin MacEwan (left in June 2021)
Director of Finance	Hugh Anderson
Director of Marketing, Digital & Communications	Caroline Bysh
Chief of Staff	Gavin Macgregor
Vice Principal – Commercial Services	Andrew Lacey
Chief Digital & Information Officer	Ian Grinbergs (joined in January 2022)
Director of Skills & Lifelong Learning	Dr Mary Thomson (joined in January 2022)
VP Enterprise & Knowledge Exchange	Dr Susannah Bolton (joined in March 2022)

The Vice Principal Enterprise and Knowledge Exchange, Dr Susannah Bolton, joined SRUC ELT late in March 2022. No element of her remuneration is included in Key Management remuneration.

### Directors' Attendance

Details of the Directors' attendance record at Board meetings and relevant Board Committee meetings in the period 1 April 2021 to 31 March 2022 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.

	SRUC Board	SAC Commercial Board (SACC)	Remuneration & Appointments Committee	Audit & Risk Committee	Finance & Estates Committee
Number of meetings in period	6	6	4	4	5
Non-Executives SRUC					
Dr M Aitchison (union representative)	6(6)				
Miss R Asli (student member)	4(6)				
Mr D Bell	6(6)				4(5)
Mrs A Bruton OBE	5(6)			4(4)	
Mrs J Craigie	4(6)				
Mr J Cumming CBE (Chairman from 1 August 2017 to 5 April 2022)	6(6)		4(4)	2(2)***	4(4)***
Prof Sir P Downes	6(6)		4(4)		
Ms J Fortune (union representative)	2(6)				
Ms K Hammond (staff elected)	2(3)		1(2)		
Mrs L Hanna (Chair from 6 April 2022)	0(0)				
Mr K Hamilton (student elected)	2(2)		1(1)		
Mr J Hume	4(6)				4(5)
Mrs M Khnichich	5(6)				5(5)
Ms E Murray OBE	6(6)		4(4)		1(1)***
Mr A Peddie	6(6)				5(5)
Mr Z Reilly (staff member)	2(2)		2(2)		
Mr W Ross OBE	5(6)			4(4)	
Miss C Sangster (student elected)	4(6)		3(3)		
Mr C Sayers	6(6)				
Professor M Smith*	2(3)	5(6)			
Mr S Thomson (staff elected)	3(3)				
Professor C Williams OBE	2(3)		2(2)		
Mr B Wood CVO* (Vice Chair from October 2020)	6(6)	5(6)		4(4)	

	SRUC Board	SAC Commercial Board (SACC)	Remuneration & Appointments Committee	Audit & Risk Committee	Finance & Estates Committee
Number of meetings in period	6	6	4	4	5
Executive Directors					
Prof W Powell (SRUC and SACC)	5(6)	6(6)	4(4)**	4(4)**	5(5)**
Mr H Anderson (SACC)	6(6)**	6(6)		4(4)**	5(5)**
Mr C MacEwan (SACC) (until June 2021)	1(1)**	2(2)			
Prof J Newbold (SACC)	6(6)**	6(6)			

\* SAC Commercial Board Non-Executive

\*\* In attendance = attends meetings regularly and contributes, but is not a member of the committee/ Board

\*\*\* By invitation = does not attend regularly, observing

In addition, Board members regularly attend other important committees, including the Student Liaison Committee, Transformation Steering Group, Health & Safety, Equality, Diversity & Inclusion and Trusts.

## Section 172(1) Statement – Companies Act 2006

This statement sets out how the Directors of SRUC have applied and complied with Section 172(1) of the Companies Act 2006 in accordance with The Companies (Miscellaneous Reporting) Regulations 2018. The Directors of SRUC, as those of all UK companies, must act in accordance with a set of general duties set out in section 172 of the Companies Act 2006 (the Act). The Board of Directors of SRUC consider, both individually and together, that they have acted in the way, in good faith, that would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 March 2022.

## Decision Making

The Board of Directors' intention is to behave responsibly and ensure that the business operates in a responsible manner with the aim of maintaining a reputation for high standards of business conduct and good governance.

The Board is collectively responsible for the long-term success of the business and, as part of their induction programme, the Directors are briefed on their duties under the Act. Directors also have access to ongoing training and development to provide them with the relevant skills and knowledge to conduct their duties as Directors on the Board. The training and development programme is based on feedback received during the internal assessment the Non-Executive Directors undergo annually.

The Directors fulfil their duties partly through a governance framework that facilitates delegation of day-to-day decision making to Management of the Company. Delegation of all areas of the Company's activities below Board level, as well as the financial parameters of authority, are set out in the delegated authority framework. This framework ensures that unusual or material transactions are brought to the Board for approval.

The Board maintains oversight of the Company's performance including financial reporting, risk management, governance and internal control processes through monthly Directors meetings with Senior Management.

Each year the Board undertakes an in-depth review of the Company's business objectives. In setting the business objectives, the Board has regard to a variety of matters including the interests of various stakeholders, the consequences of its decisions in the long term and its long-term reputation.

### **Overview of how the Board performed its Duties within the financial year**

The Board of Directors at SRUC communicates effectively with its stakeholders and understands their views in order to act fairly towards the different groups. The following outlines the impact of the Board's regard of stakeholders when making decisions during the financial year.

#### **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 particularly in times of change.

Information on matters important to employees is given through the SRUC Engage website, through staff briefing sessions and regular communications from the Engagement Leadership Team and the Principal.

The Board is alert to the importance of communication and the Chair issues a concise summary to staff after each Board meeting of matters considered by the Board.

It is also important to listen to our colleagues about what has been happening. SRUC regularly runs surveys to look at how well we are articulating our change to internal audiences; how positive our people feel about the future of SRUC and how engaged they feel with SRUC.

#### **Communication with Students**

SRUC values the need to ensure effective clear communication with students. The students' association (SRUCSA) is represented formally on the SRUC Board, the Academic board and various other bodies, committees and groups within the institution. Informal consultation with SRUCSA takes place at many levels in respect of various relevant matters, while Board members regularly attend meetings of the Student Liaison Committee. The remit of the SLC together with associated governance arrangements were refreshed during the year.

SRUCSA runs 'Student Panel' meetings throughout the year to keep students updated through the Class Representative network. SRUCSA also uses email and social media to provide a variety of media for students to be updated and comment on the work of SRUCSA and their learning experience at SRUC.

MySRUC, a free app for students, is used to promote student voice opportunities, while SRUC's primary learning platform, Moodle, is used to keep students informed, as well as to promote surveys and student voice mechanisms.

In addition, SRUC's Communications team works with senior management and SRUCSA to update students on things such as any changes to term times and teaching arrangements.

### **Corporate Social Responsibility Policy**

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

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

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

SRUC values its staff. Our employment policies are directed at creating an environment that will attract, develop, motivate and reward employees of high calibre. Alongside its financial success as a business, SRUC recognises its responsibility to work in ways that add value to the lives of stakeholders and improve the world in which they live.

### **Disability Policy**

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

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

However, SRUC understand that many people are disabled by social, attitudinal and physical barriers and as such recognise a social model of disability that uses the following definition: 'There are societal barriers that prevent disabled people from achieving their full potential, hinder their personal development opportunities and limit access to a full role in society'.

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

### **Equalities Policy**

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

The college publishes a biennial report on equality progress and mainstreaming equality duty and gender pay gap as well as a statement on equal pay every four years to ensure compliance with relevant equality legislation, including the Equality Act 2010. The college undertakes equality impact assessments on creating or changing policies and processes and is committed to several equality initiatives such as Athena Swan, Disability Confident and Agrespect.

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 customers 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.

### **Union Representation**

During the year ended 31 March 2022 SRUC employed seven staff who were relevant union officials which equated to 6.9 full time employees. They all spent between 1 and 74% of their working hours on facility time. The cost of this facility time was £39,765 which equalled 17% of the total relevant pay bill.

### **Fair Working Practices**

Fair work practices have been developed in agreement with the institution's workforce. SRUC is committed to offering flexible working and training and development to employees. Trade Union representation, and equality and disability policies ensure that employees have an effective voice in the workplace and equal opportunities, respectively.

### Modern Slavery Act 2015

In line with the provisions of the Modern Slavery Act 2015 (the Act) SRUC has a zero tolerance policy towards slavery and human trafficking and we are fully committed to ensuring there are no instances of modern slavery or human trafficking within our organisation, or within our supply chains.

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

During 2021/2022 we assessed the risk of Modern Slavery within SRUC'S activities conducted in Scotland and the rest of the UK, and concluded that the risk remains low.

When procuring goods and services we seek transparency and confirmation from potential and contracted suppliers that they maintain the highest ethical standards when conducting their business.

Every regulated procurement process, and when deemed appropriate below this threshold, requires tenderers (and any sub-contractor or supply partner on which they rely) to complete the Single Procurement Document (Scotland) (SPD). The SPD requires the tenderer to disclose details of its trading activity, and legal and environmental compliance. This includes disclosure of whether the tenderer or any member of their organisation with decision-making powers has been convicted within the previous five years of any offence under Part 1 of the Human Trafficking and Exploitation (Scotland) Act 2015, or under any provision referred to in the Schedule to that Act. Tenderers that confirm such a conviction are excluded from the procurement process unless they can successfully demonstrate that they have taken sufficient and appropriate remedial action to demonstrate their reliability (self-cleansed).

Potential and new suppliers are also required to confirm their commitment to APUC's Supply Chain Code of Conduct. The Code of Conduct details SRUC's and suppliers' duties in respect of corporate social responsibility and sustainability across each identifiable supply chain.

All suppliers appointed as a result of a formal procurement action (not just those above the Regulatory thresholds) are required to commit to the Code's principles which includes a pledge that each party shall:

- **not used forced, involuntary or child labour;**
- **provide suitable working conditions and terms;**
- **treat employees fairly;**
- **ensure ethical compliance and support economic development;**
- **ensure environmental compliance.**

The submission of a completed SPD and/or Supply Chain Code of Conduct is considered a formal contractual commitment by a supplier/tenderer, and failure to disclose pertinent information in the SPD or comply with the provisions of the Code are therefore deemed to be a breach of contract, which may result in termination of any subsequent or existing contract.

SRUC encourages all employees to report in 'good faith' any issues or concerns about potential breaches of the Modern Slavery Act. Any employee that raises an issue is fully protected by our Whistle Blowing Policy. To support our staff and improve their understanding of the risks of Modern Slavery, SRUC provides a suite of online training modules which are completed by all staff during their induction period, one of which covers Modern Slavery.

SRUC's recruitment policies and procedures, and the consistent application and monitoring of them ensure that we meet the provision of the act as an employer.

### 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. To achieve excellence in sustainable development we provide further and higher education to prepare future generations with the necessary skills, knowledge and understanding. Our main goal is to embed sustainability in learning and teaching, and supporting careers that contribute to sustainability both directly and through sparking debate on the complex issues surrounding a sustainable world.

We undertake world leading research on climate change mitigation and adaptation, particularly in the agricultural and wider land-based sectors. Through our consultancy and education functions, we foster collaborative relationships between research and education. This ensures that research is translated into impact as quickly and effectively as possible to support and inform Scotland's land-based sector.

SRUC's Climate Change Action Plan (CCAP) has been approved and outlines a pathway to deliver a further 20% carbon reductions over the period of the plan which runs from 2020 – 25. The new plan engages the whole SRUC community and outlines SRUC's ambitions in response to The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019.

SRUC's Board has approved a net Zero date of 2040 and we will be taking forward technical assessments and developing pathway projects to ensure resources and plans are implemented to ensure we can meet this challenging target.



### Health and Safety Policy

Health, safety and well-being are an essential part of every function within SRUC and its subsidiaries, and we fully accept our responsibilities for the health and safety of our employees and stakeholders. One of the cornerstones of the SRUC Health and Safety Policy Statement is to plan for continuous improvement of our health and safety management system, promoting best practice in all aspects of its services.

The Health and Safety Leadership Policy document reinforces the need for health and safety to be embedded into the culture of SRUC. This emphasises the leadership responsibility of managers whilst empowering staff to raise issues to ensure a safety conscious environment. The Health and Safety Policy Statement and Health and Safety Leadership Policy are reviewed annually.

In the response to the Coronavirus pandemic, SRUC issued a COVID-19 Policy Statement. This emphasises the actions SRUC took to ensure the health, safety and welfare of its employees and stakeholders.

As part of the pandemic recovery planning the Scottish Government requested information from all Higher and Further education institutions to outline COVID-19 organisational contingency planning information. Feedback from follow up workshops indicated that SRUC's recovery planning processes were deemed to be an exemplar within the sector. This is a resounding acclamation of the hard work, professionalism, inter-departmental collaboration and operational planning which all parts of the organisation contributed to.

The Health and Safety Team completed the transition to the ISO 45001 Occupational Health & Safety Management System in July 2021. This standard demonstrates SRUC's Health and Safety Management System compliance with health and safety law, and demonstrates SRUC's drive towards the highest standards of managing occupational health and safety performance.

### Quality Assurance

SAC Consulting and SRUC Research are certified to ISO 9001:2015. As an organisation significant other parts of SRUC are also certified to ISO 45001:2018. The SRUC Environment & Design Team is certified to ISO 14001:2015 and the Veterinary Services Group holds ISO 17025:2017 accreditation for the SRUC Veterinary Services Group and SAC Commercial Ltd.

SRUC, as a Scottish Higher Education Institution, is compliant with the requirements of the UK Quality Code for Higher Education and the Scottish Quality Enhancement Framework. Quality is monitored by QAA Scotland, Education Scotland, Awarding Bodies such as Scottish Qualifications Authority and City and Guilds as well as the Validating Universities of Glasgow and Edinburgh.

### 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.

At 31 March 2022, there were 33 days (2021: 30 days) of creditors outstanding. Interest paid under the Late Payment of Commercial Debts (Interest) Act 1998 amounted to £Nil (2021 £Nil).

### Third Party Indemnity Insurance

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

SRUC provided a letter of support to SAC Foundation and its full subsidiary SAC Commercial Limited.

### 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. The Group's financial statements for 2021/22 have been prepared on a going concern basis which SRUC management believe to be appropriate for the following reasons:

SRUC is well-established and renowned for its excellence in teaching and research. As such the demand for learning at SRUC remains strong, as evidenced in the student cohort for 2021/22 as well as applications for 2022/23 academic year even during the pandemic. SRUC's ability to adapt its teaching model, with all lectures being delivered online, supplemented by face to face remote small group tutorials and seminars gives students the ability to learn on campus or remotely.

As at 31 March 2022 the group had a strong cash position of £36.1m (2021: £26.5m) and strong Balance Sheet with net assets of £17.9m as at 31 March 2022 (2021: £7.2m) which continues to 2022/23. SRUC has low gearing with loan balance of £17.4m at the end of the financial year.

A financial plan for 2022/23 and 2023/24 is in place. The financial plan considers the macro-economic environment of global turbulence: the war in Ukraine and uncertainty around the extent of continuous impact of COVID-19 resulting in the cost of living crisis and inflation. The plan also considers the changes within the organisation and the pursuit of growth and transformation agenda.

In support of this plan, cashflow projections have been prepared for at least twelve months from the date of approval of these consolidated financial statements, together with forecast subsidiary balances to reflect the consolidated group balance. On this basis, the Group is forecast to operate within its available committed facilities throughout the going concern period.

Based on the above analysis it remains wholly appropriate to prepare the SRUC and consolidated financial statements on a going concern basis.

### Auditor

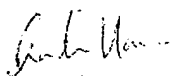
External audit services were put to competitive tender in 2020 and RSM UK Audit LLP were successful in securing the contract for three years to 31 January 2024. Internal audit services were tendered in 2022 and KPMG was reappointed for three years to 31 March 2025. RSM UK Audit LLP offer themselves for re-appointment as auditors in accordance with section 487 of the Companies Act 2006.

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

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 auditor, 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 auditor is 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 auditor is aware of that information.

This report was approved by the Board on 13 September 2022 and signed on its behalf by:



Linda Hanna  
Chairman

13 September 2022



Wayne Powell  
Principal and Chief Executive

13 September 2022

## Corporate Governance Statement

### Introduction

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

This summary describes the manner in which the Board has applied the principles in the Annual Financial Statements Direction as issued by the Scottish Funding Council. The purpose of this summary is to help the reader of the reports and financial statements understand how the principles of good governance set out in the codes have been applied.

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

A revised Scottish Code of Good Higher Education Governance was published in 2017 ("the Code") replacing the 2013 Scottish Code of Good Higher Education Governance.

In the opinion of the Governing Body, the institution complied with all the principles and provisions of the 2017 Scottish Code of Good Governance through the year.

Having fully implemented the requirements of the Higher Education Governance (Scotland) Act 2016 ("HEGA") including formal adoption of new Articles of Association in March 2020, planning began for arrangements to elect a new Chair, and with effect from April 2022 these were finalised and an election held in accordance with HEGA. Linda Hanna was duly elected as the new Chair of SRUC, formally taking up the appointment in April 2022. Two new staff Board members were elected to represent academic and non-academic staff and Board inductions for new members was carried out during the year with Further training in ED&I and Finance matters was undertaken. New student members were appointed following elections by the student body and agreement on how SRUCSA co-presidents would interact with the Board. A planned public engagement event was cancelled because of COVID-19 considerations and pandemic related restrictions prevented the Board from undertaking campus visits. Efforts will continue to be made, where practicable, to hold Board meetings in different SRUC locations and to re-instate a programme of campus visits.

### Board of Directors

The Board comprises non-executive directors and one executive director, who is the Principal & Chief Executive. The roles of Chair and Vice-Chair 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.

The current Articles allow for a maximum of 20 directors, up to 19 of whom may be non-executive directors. SRUC maintains a skills matrix which is used for the recruitment of non-executive directors and succession planning to ensure our diverse needs are adequately reflected in the skills of the Board. During the year, five new non-executive directors were appointed following a highly successful recruitment campaign.

### **Covid-19 Governance**

Most Board and Board Committee meetings during the year were carried out successfully online but several were able to be undertaken face to face. The impact of remote working on governance has therefore been limited with Board and Executive business having been moved quickly to online facilities, with particular emphasis on video enabled platforms. The successful move of governance related activity to an online basis mirrored the general success of a rapid institutional move to online working.

Temporary measures to address potential coronavirus issues such as incapacitation of senior executives and the Chair, authorisation limits and document execution were able to be rescinded as the perceived risks lessened and COVID-19 restrictions changed.

Health, safety and welfare of staff and students was, naturally, a major priority for the institution and therefore procedures and processes were kept under constant review or changed as required.

### **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 (with the exception of the Academic Board) mainly non-executive directors and are attended as appropriate by members of the ELT. A staff member and a student member of the Board sit on the Remuneration and Appointments Committee. Each committee is chaired by a non-executive director. The decisions of these committees are reported to the Board and reports provided at every Board meeting on the activities of the committees. During the year, all committees reviewed their terms of reference, which were duly updated as required.

### **Academic Board**

The Academic Board has delegated authority from the SRUC Board to be responsible for the overall planning, development, co-ordination and supervision of the academic work of SRUC. Membership is drawn from across SRUC and includes elected academic staff and student representatives as set out in HEGA. The remit and related sub-committee arrangements of the Academic Board were arranged to reflect changes in the Academic structure over the last few years. The Academic Board meets at least once a term and is chaired by the Principal and Chief Executive or the Academic Director. A review of the remit of the Academic Board and its sub-committees was undertaken in the Autumn of 2021.

### **Remuneration and Appointments Committee**

The Remuneration and Appointments Committee, as part of its remit, considers nominations for new directors and makes recommendations on appointment to the Board. The Committee includes staff and student representatives in accordance with requirements of the 2017 Code and HEGA. The Remuneration and Appointments Committee determines the remuneration of executive directors including the Principal. It also considers overall pay and employment terms for the Group and makes recommendations to the Board for Professorial and Honorary awards. The Remuneration and Appointments Committee meets a minimum of three times each year and is chaired by a Non-Executive Director.

### **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 the Vice-Chair of the Board, includes an external independent member and meets a minimum of three times each year, with the external and internal auditor in attendance. During the year, the A&R Committee had specific focus on pandemic related risk and mitigation actions. A risk workshop, facilitated by the internal auditors, was held, with several initiatives emerging from the output.

### **Finance and Estates Committee**

The Finance and Estates Committee monitors the financial affairs of the Group and advises the Board on financial policy and planning. It also provides strategic direction for the Infrastructure Strategy and has responsibility for oversight of SRUC's estate. It is chaired by a non-executive member of the Board and meets a minimum of three times annually.

During the year, the remit of the Committee, in common with the other two Board Committees, was reviewed. As part of its remit, the Finance and Estates Committee discharges Trustee responsibilities with regard to the administration, investment and disbursement of trust funds and reviews these on an annual basis.

### 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 ELT 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 ELT 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 operational section to discuss the specific group plans.

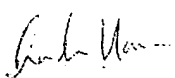
The Audit and Risk Committee's role in internal control is integral to managing the externally sourced internal audit function. The internal auditor monitors the systems of internal control, risk management controls and governance processes in accordance with an agreed plan, and report their findings to management and the Audit and Risk Committee. Management is responsible for the implementation of agreed audit recommendations and the internal auditor undertakes 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 ELT 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 2022 and up to the date of approval of the annual report and financial statements.



**Linda Hanna**  
Chairman

**13 September 2022**



**Wayne Powell**  
Principal and Chief Executive

**13 September 2022**

## 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 Further and 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 and comply with the principles of good governance set out in the 2013 Scottish Code of Good Higher Education Governance and be working towards compliance with the principles of good governance set out in the 2017 Scottish Code of Good Higher Education Governance.

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

### Opinion

We have audited the financial statements of SRUC (the 'Charitable Company') and its subsidiaries (the 'Group') for the year ended 31 March 2022 which comprise the Group and Company Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Group Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- **give a true and fair view of the state of the Group's and of the Charitable Company's affairs as at 31 March 2022 and of the Group's and the Charitable Company's deficit of income over expenditure and the Group's cash flows 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 requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006.**

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Charitable Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Other Information

The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

## Opinion on other matters prescribed by the Scottish Funding Council

In our opinion, in all material respects:

- the requirements of the Scottish Funding Council's Accounts Direction for Universities have been met;
- monies expended out of Scottish Funding Council grants and other funds from whatever source administered by the Charitable Company for specific purposes have been properly applied to those purposes and, if appropriate, managed in compliance with all relevant legislation; and
- income has been applied in accordance with the Financial Memorandum with 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 Financial Memorandum and the Accounts Direction issued by the SFC requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of the Board

As explained more fully in the Statement of the Responsibilities of the Board of SRUC, the Board is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Group's and the Charitable Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Group or the Charitable Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### **The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- **obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory framework;**
- **inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;**
- **discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.**

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006, the Charities Accounts (Scotland) Regulations 2006, the Statement of Recommended Practice for Further and Higher Education (published 2019), and the Scottish Funding Council Accounts Direction 2021/2022. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and checking off matters in the financial statements to the Accounts Direction issued by the Scottish Funding Council.

The most significant laws and regulations that have an indirect impact on the financial statements are the Scottish Funding Council Financial Memorandum, the Data Protection Act 2018, and the Higher Education Governance Act 2016. We performed audit procedures to inquire of management and those charged with governance whether the group is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The group audit engagement team identified the risk of management override of controls and contract revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates, and reviewing a sample of contracts to confirm whether revenue had been recognised in line with costs incurred.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>

This description forms part of our auditor's report.

### Use of our Report

This report is made solely to the Board, as a body, in accordance with the Financial Memorandum published by the Scottish Funding Council, Companies Act 2006 and the Charities and Trustee Investment (Scotland) Act 2005, Charities Accounts (Scotland) Regulations 2006 (as amended) and our engagement letter dated 30 March 2022. Our audit work has been undertaken so that we might state to the Board, as a body, those matters we are required under our engagement letter dated 30 March 2022 to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board, as a body, for our audit work, for this report, or for the opinions we have formed.

*Dale Thorpe*

Dale Thorpe, BSc, FCA  
(Senior Statutory Auditor)  
For and on behalf of

RSM UK AUDIT LLP  
Chartered Accountants  
Third Floor  
2 Semple Street  
Edinburgh  
EH3 8BL

Date 28/09/22

RSM UK AUDIT LLP is eligible to act as an auditor in term of section 1212 of the Companies Act 2006

# Group and Company Statement of Comprehensive Income – Year ended 31 March 2022

	Note	2022 Group £000	2021 Group £000	2022 Company £000	2021 Company £000
<b>Income</b>					
Scottish Government grants	1	16,454	14,665	13,619	11,584
Scottish Funding Council	2	33,533	29,771	33,533	29,771
Tuition fees and education contracts	3	6,065	6,922	6,053	6,929
Research grants and contracts	4	7,406	6,510	3,930	3,525
Advisory and consultancy contracts	5	16,068	14,727	952	896
Other operating income	6	8,927	6,939	3,567	3,136
Investment income	7	176	209	176	209
<b>Total income before endowments and donations</b>		<b>88,629</b>	<b>79,743</b>	<b>61,830</b>	<b>56,050</b>
Endowments and donations	8	-	-	-	-
<b>Total Income</b>		<b>88,629</b>	<b>79,743</b>	<b>61,830</b>	<b>56,050</b>
<b>Expenditure</b>					
Staff costs	9	48,805	46,548	47,188	44,935
Other operating expenditure	11	31,124	25,654	6,100	3,693
Depreciation and impairment	13,15	8,901	7,858	8,686	7,694
Interest and other finance costs	12	587	565	587	565
<b>Total expenditure</b>		<b>89,417</b>	<b>80,625</b>	<b>62,561</b>	<b>56,887</b>
<b>Deficit before other gains and losses</b>		<b>(788)</b>	<b>(882)</b>	<b>(731)</b>	<b>(837)</b>
(Loss)/Gain on disposal of fixed assets		(390)	(23)	(390)	(23)
Movement in value of investments		275	1,015	275	1,015
<b>(Deficit)/Surplus for the year</b>		<b>(903)</b>	<b>110</b>	<b>(846)</b>	<b>155</b>
Actuarial (Loss)/Gain in respect of pension schemes		11,640	(3,713)	11,640	(3,713)
<b>Total comprehensive income/(loss) for the year</b>		<b>10,737</b>	<b>(3,603)</b>	<b>10,794</b>	<b>(3,558)</b>
Represented by:					
Endowment comprehensive income/(loss) for the year		358	1,030	358	1,030
Unrestricted comprehensive income/(loss) for the year		10,379	(4,633)	10,436	(4,588)
		<b>10,737</b>	<b>(3,603)</b>	<b>10,794</b>	<b>(3,558)</b>

All items of income and expenditure relate to continuing activities.

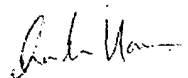
## Statement of Changes in Reserves – Year ended 31 March 2022

	Endowment	Unrestricted	Total
Group	£000	£000	£000
<b>Balance at 1 April 2020</b>	4,384	6,388	10,772
Deficit from the income and expenditure statement	1,030	(920)	110
Other comprehensive income	-	(3,713)	(3,713)
Total comprehensive (loss)/income for the year	<u>1,030</u>	<u>(4,633)</u>	<u>(3,603)</u>
<b>Balance at 1 April 2021</b>	5,414	1,755	7,169
Surplus/(deficit) from the income and expenditure statement	358	(1,261)	(903)
Other comprehensive loss	-	11,640	11,640
Total Comprehensive income/(loss) for the year	<u>358</u>	<u>10,379</u>	<u>10,737</u>
<b>Balance at 31 March 2022</b>	<u>5,772</u>	<u>12,134</u>	<u>17,906</u>
<b>Company</b>			
<b>Balance at 1 April 2020</b>	4,384	6,250	10,634
Deficit from the income and expenditure statement	1,030	(875)	155
Other comprehensive income	-	(3,713)	(3,713)
Total Comprehensive (loss)/income for the year	<u>1,030</u>	<u>(4,588)</u>	<u>(3,558)</u>
<b>Balance at 1 April 2021</b>	5,414	1,662	7,076
Surplus/(deficit) from the income and expenditure statement	358	(1,204)	(846)
Other comprehensive loss	-	11,640	11,640
Total Comprehensive income/(loss) for the year	<u>358</u>	<u>10,436</u>	<u>10,794</u>
<b>Balance at 31 March 2022</b>	<u>5,772</u>	<u>12,098</u>	<u>17,870</u>

## Balance Sheet at 31 March 2022

	Note	2022 Group £000	2021 Group £000	2022 Company £000	2021 Company £000
<b>Non-current assets</b>					
Intangible assets	13	2,262	1,410	2,262	1,410
Negative goodwill arising from College merger	14	(29,008)	(30,340)	(29,008)	(30,340)
Fixed assets	15	71,766	77,311	71,766	77,311
Investments	16	5,988	5,619	5,974	5,605
		<u>51,008</u>	<u>54,000</u>	<u>50,994</u>	<u>53,986</u>
<b>Current assets</b>					
Stocks	17	3,354	3,066	3,354	3,066
Debtors	18	15,976	13,629	12,505	9,918
Current asset investments		15,611	13,087	15,611	13,087
Cash and cash equivalents		<u>20,495</u>	<u>13,427</u>	<u>20,045</u>	<u>13,088</u>
<b>Total current assets</b>		<u>55,436</u>	<u>43,209</u>	<u>51,515</u>	<u>39,159</u>
Creditors: amounts falling due within one year	19	(30,187)	(28,155)	(26,288)	(24,184)
<b>Net current assets</b>		<u>25,249</u>	<u>15,054</u>	<u>25,227</u>	<u>14,975</u>
<b>Total assets less current liabilities</b>		<u>76,257</u>	<u>69,054</u>	<u>76,221</u>	<u>68,961</u>
Creditors: amounts falling due after one year	20	(41,403)	(33,280)	(41,403)	(33,280)
<b>Provisions</b>					
Other provisions	23	(781)	(921)	(781)	(921)
Defined benefit pension liability	28	<u>(16,167)</u>	<u>(27,684)</u>	<u>(16,167)</u>	<u>(27,684)</u>
<b>Total Net Assets</b>		<u>17,906</u>	<u>7,169</u>	<u>17,870</u>	<u>7,076</u>
<b>Reserves</b>					
Restricted reserve					
Endowment reserve	25	5,772	5,414	5,772	5,414
Unrestricted reserves					
Income and expenditure reserve		<u>12,134</u>	<u>1,755</u>	<u>12,098</u>	<u>1,662</u>
<b>Total Reserves</b>		<u>17,906</u>	<u>7,169</u>	<u>17,870</u>	<u>7,076</u>

The financial statements were approved on 13 September 2022 and signed on behalf of the Board by:



Linda Hanna  
Chairman



Wayne Powell  
Principal and Chief Executive



## Group Cash Flow Statement for the Year Ended 31 March 2022

	Note	2022 £000	2021 £000
<b>Operating activities</b>			
<b>Net cash (absorbed by)/generated from operating activities</b>	26	(550)	7,336
<b>Investing activities</b>			
Bank interest received	41	74	-
Purchase of investments	-	-	-
Purchase of tangible fixed assets	(5,644)	(2,574)	-
Purchase of intangible fixed assets	(1,165)	(92)	-
Net proceeds from sale of assets	3,814	(15)	-
Grants received	1,748	1,959	-
Transfer to bank investments	(2,524)	(5,036)	-
<b>Net cash absorbed by investing activities</b>		(3,730)	(5,684)
<b>Financing activities</b>			
New loans	12,200	-	-
Repayment of bank loans	(827)	(617)	-
Capital element of finance leases repaid	-	-	-
Interest paid	(25)	(16)	-
<b>Net cash generated from/(absorbed by) financing activities</b>		11,348	(633)
<b>Increase/(decrease) in cash and cash equivalents</b>		7,068	1,019
<b>Cash and cash equivalents at start of reporting period</b>		13,427	12,408
<b>Cash and cash equivalents at end of reporting period</b>		20,495	13,427

### Reconciliation of net cash flow to movement in net debt

	At 1 April 2021 £000	Cash flows £000	Non-cash movement £000	At 31 March 2022 £000
Cash in hand and at bank	13,427	7,068	-	20,495
Current asset investments	13,087	2,524	-	15,611
Loans	(5,998)	(11,374)	-	(17,372)
<b>Total</b>	20,516	(1,782)	-	18,734

## Statement of Principal Accounting Policies

### Statement of Compliance

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

The group's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Group for the year ended 31 March 2022.

### 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 2019 and in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. The College is a public benefit entity and therefore has applied the relevant public benefit entity requirements of FRS 102.

### 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. The Group's financial statements for 2021/22 have been prepared on a going concern basis which SRUC management believe to be appropriate for the following reasons:

SRUC is well-established and renowned for its excellence in teaching and research. As such the demand for learning at SRUC remains strong, as evidenced in the student cohort for 2021/22 as well as applications for 2022/23 academic year, even during the pandemic. SRUC's ability to adapt its teaching model, with all lectures being delivered online, supplemented by face to face remote small group tutorials and seminars gives students the ability to learn on campus or remotely.

As at 31 March 2022 the group had a strong cash position of £36.1m (2021: £26.5m) and strong Balance Sheet with net assets of £17.9m as at 31 March 2022 (2021: £7.2m) which continues to 2022/23. SRUC has low gearing with loan balance of £17.4m at the end of the financial year.

A financial plan for 2022/23 and 2023/24 is in place. The financial plan considers the macro-economic environment of global turbulence: the war in Ukraine and uncertainty around the extent of continuous impact of COVID-19 resulting in the cost of living crisis and inflation. The plan also considers the changes within the organisation and the pursuit of growth and transformation agenda.

In support of this plan, cashflow projections have been prepared for at least twelve months from the date of approval of these consolidated financial statements, together with forecast subsidiary balances to reflect the consolidated group balance. On this basis, the Group is forecast to operate within its available committed facilities throughout the going concern period.

## Statement of Principal Accounting Policies

Based on the above analysis it remains wholly appropriate to prepare the SRUC and consolidated financial statements on a going concern basis.

The financial statements of SRUC were authorised for issue by the Board of Directors on 13 September 2022. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the group and rounded to the nearest £'000.

### **Basis of Consolidation**

The group financial statements include SRUC and its subsidiary and quasi-subsidiary undertakings. Intra-group transactions are eliminated on consolidation. The activities of the Student Representative Council have not been consolidated as SRUC has no financial interest and no control or significant influence over policy decisions. ID Mapps LTD is an associate which was formed to fulfil a specific research grant. ID Mapps LTD is not treated using the equity method on the basis of immateriality.

### **Judgements and Key Sources of Estimation Uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. These judgements, estimates, and associated assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following are the Group's key sources of estimation uncertainty:

#### **Pensions**

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

In determining the appropriate discount rate, management considers the interest rates of corporate bonds with at least AA rating with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. The impact on the of changes in the discount rate, life expectancy and inflation is included in note 28.

### **Goodwill and Intangible Assets**

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

### Income Recognition

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied. This is typically in line with work done and hence costs incurred.

Where applicable, surplus is calculated on a prudent basis to reflect the proportion of work carried out at the year end. Full provision for losses is made in the year in which the losses are first foreseen. Project Expenditure recognised over amounts invoiced is reflected within debtors as 'Amounts Recoverable on Contracts'. The excess of Project Income received over amounts recognised as revenue is reflected within creditors as 'Payments Received in Advance'.

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

Investment income is credited to the statement of income and expenditure on a receivable basis. Funds SRUC receives and disburses as paying agent on behalf of a funding body, are excluded from the income and expenditure of SRUC where SRUC is exposed to minimal risk or enjoys minimal to no economic benefit related to the transaction.

### Grant Funding

Grant funding including Scottish Funding Council education and research grants and research grants from government sources are recognised as income when SRUC is entitled to the income and performance related conditions have been met.

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

Income received from the government Coronavirus Job Retention Scheme (CJRS) is recognised in the same period as the staff costs were incurred that the grant was intended to compensate and is included within other operating income.

### Donations and Endowments

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

Donations with no restrictions are recognised in income when SRUC is entitled to the funds. Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms other restriction applied to the individual endowment fund.

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

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

### Capital Grants

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

### Employment Benefits

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

Termination benefits are recognised immediately as an expense when SRUC is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

### Land and Buildings

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

## Statement of Principal Accounting Policies

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

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

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

The Scottish Government (via the SFC) maintains an interest in tangible fixed assets funded by capital grants from them.

### Equipment

Equipment costing less than £10,000 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:

- |   |                     |
|---|---------------------|
| • <b>Motor Vehicles</b>                                       | <b>4 years</b>      |
| • <b>Computer and other equipment</b>                         | <b>5 – 10 years</b> |
| • <b>Equipment acquired for specific research or projects</b> | <b>Project Life</b> |

### Software – Intangible Asset

Software is capitalised at cost where the software is directly involved with the creation of an asset or is an identifiable support to the business. Capitalised software is depreciated over 5-10 years. Software that is not capitalised is instead treated as a consumable and is expensed during the year of purchase. Amortisation of intangible assets is included under "depreciation and impairment" in the Statement of Comprehensive Income.

### Accounting for Business Combinations and Associated Negative Goodwill

SRUC (which at the time was called 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 the applicable financial reporting standard in effect at that time. At transition to FRS 102, the entity took the exemptions available to public benefit entities to not apply FRS 102.19 "Business Combinations and Goodwill" and therefore continues to recognise a negative goodwill balance in the year. 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 Comprehensive Income and Expenditure.

Other listed investments are included at market value.

Investments in equity instruments which are not subsidiaries, associates, or joint ventures are initially measured at fair value, which is typically the transaction price. These assets are subsequently carried at fair value and changes in fair value at the reporting date are recognised in the statement of comprehensive income.

Where the investment in equity instruments are not publicly traded and where the fair value cannot be reliably measured the assets are measured at cost less impairment.

## Stocks

Stocks are stated at the lower of their cost or net realisable value. Farm stocks are valued at deemed cost using HMRC guidance which states the deemed cost is 60% of open market value for cattle and 75% of open market value for sheep and pigs.

## 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 expenditure.

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

## Cash Flows and Cash Equivalents

Cash 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.

## Current asset investments

Current asset investments include cash held on short-term deposits.

### 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; or 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. Contributions to the scheme are made in accordance with an agreed funding model and recognised in the income statement as insufficient information is available to use defined benefit accounting in accordance with FRS 102:28.

The STSS is an unfunded multi-employer defined benefit scheme and is not possible to identify each institution's share of the liabilities therefore, contributions to the scheme are accounted for as if it were a defined contribution scheme. Obligations for contributions are recognised as an expense in the income statement in the periods during which service are rendered by employees.



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

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

Where the calculation results in a net asset, recognition of the asset is limited to the extent to which SRUC is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

### **Leases**

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

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

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

### **Reserves**

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

## Notes to the Financial Statements

### 1. Scottish Government Grants

	2022 Group £000	2021 Group £000	2022 Company £000	2021 Company £000
Recurrent grant				
Research and development	5,858	5,804	5,827	5,776
Advisory	6,747	7,021	3,943	3,968
	<u>12,605</u>	<u>12,825</u>	<u>9,770</u>	<u>9,744</u>
Release from deferred capital grants				
Buildings (note 22)	2,365	694	2,365	694
Equipment (note 22)	1,484	1,146	1,484	1,146
	<u>16,454</u>	<u>14,665</u>	<u>13,619</u>	<u>11,584</u>

### 2. Scottish Funding Council

	2022 Group £000	2021 Group £000	2022 Company £000	2021 Company £000
Education teaching HE	12,541	11,264	12,541	11,264
Education provision FE	9,259	9,357	9,259	9,357
Research and innovation	5,846	5,511	5,846	5,511
Condition survey grant	2,684	1,413	2,684	1,413
Strategic funding	-	-	-	-
	<u>30,330</u>	<u>27,545</u>	<u>30,330</u>	<u>27,545</u>
Release from deferred capital grants				
Buildings (note 22)	2,656	1,988	2,656	1,988
Equipment (note 22)	547	238	547	238
	<u>33,533</u>	<u>29,771</u>	<u>33,533</u>	<u>29,771</u>

### 3. Tuition Fees and Education Contracts

	2022 Group £000	2021 Group £000	2022 Company £000	2021 Company £000
Home and EU higher education fees	2,168	2,392	2,162	2,392
Rest of UK	343	234	343	234
Non-EU students	70	86	70	86
UK further education students	11	-	11	-
	<u>2,592</u>	<u>2,712</u>	<u>2,586</u>	<u>2,712</u>
Education contracts	3,349	4,130	3,349	4,130
Short course fees	124	80	118	87
	<u>6,065</u>	<u>6,922</u>	<u>6,053</u>	<u>6,929</u>

### 4. Research Grants and Contracts

	2022 Group £000	2021 Group £000	2022 Company £000	2021 Company £000
European Union	629	704	587	668
Research councils	1,115	1,055	1,115	1,055
UK public bodies	3,946	2,951	2,040	1,532
Other	1,716	1,800	188	270
	<u>7,406</u>	<u>6,510</u>	<u>3,930</u>	<u>3,525</u>

### 5. Advisory and Consultancy Contracts

	2022 Group £000	2021 Group £000	2022 Company £000	2021 Company £000
Consultancies and subscriptions	11,590	10,596	154	221
Analytical services	3,651	3,303	798	673
Farm accounts scheme	784	788	-	-
Publications	43	40	-	2
	<u>16,068</u>	<u>14,727</u>	<u>952</u>	<u>896</u>

## 6. Other Operating Income

	2022 Group £000	2021 Group £000	2022 Company £000	2021 Company £000
Residences, catering and conferences	1,175	343	987	269
Sales of farm products	4,649	4,164	2	3
Rents	449	319	412	276
Government grants for CJRS	132	870	132	870
Other income	2,522	1,243	2,034	1,718
	<u>8,927</u>	<u>6,939</u>	<u>3,567</u>	<u>3,136</u>

## 7. Investment income

	Group and company	
	2022 £000	2021 £000
Investment income on endowments	135	135
Other investment income	41	74
	<u>176</u>	<u>209</u>

## 8. Donations and Endowments

	Group and company	
	2022 £000	2021 £000
New endowments	-	-
	<u>-</u>	<u>-</u>

## 9. Staff Costs

	2022 Group £000	2021 Group £000	2022 Company £000	2021 Company £000
Wages and salaries	38,992	37,998	37,648	36,658
Social security costs	3,933	3,849	3,800	3,718
Other pension costs	5,685	4,682	5,545	4,540
	<u>48,610</u>	<u>46,529</u>	<u>46,993</u>	<u>44,916</u>
Severance costs	195	19	195	19
	<u>48,805</u>	<u>46,548</u>	<u>47,188</u>	<u>44,935</u>

The severance costs are in respect of redundancy payments to employees whose employment has ceased or is likely to cease which has been calculated in accordance with the SRUC redundancy policy which has been agreed with the trade unions and approved by the Board.

	2022 Number	2021 Number
Academic teaching departments	253	242
Academic support	132	127
Research grants and contracts	230	237
Administration and central services	134	120
Premises and estates	25	43
Residencies, catering and conferences	12	17
Other including income generating operations	406	399
	<u>1,192</u>	<u>1,185</u>

The average number of employees as expressed as full-time equivalents was 1,117 (2021: 1,105).

## 9. Staff Costs – Continued

	£000	£000
Analysis of the above staff costs by activity:		
Academic teaching departments	10,833	9,837
Academic support	3,691	3,264
Research grants and contracts	10,320	10,288
Administration and central services	6,568	7,221
Premises and estates	987	1,189
Residencies, catering and conferences	354	387
Other including income generating operations	15,857	14,343
	<u>48,610</u>	<u>46,529</u>
Severance costs	195	19
	<u>48,805</u>	<u>46,548</u>

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

	Group 2022		Group 2021	
	Number Directors	Number Other Staff	Number Directors	Number Other Staff
£100,001 to £110,000	-	4	-	1
£110,001 to £120,000	-	1	-	2
£120,001 to £130,000	-	1	-	2
£130,001 to £140,000	-	2	-	-
£140,001 to £150,000	-	-	-	-
£150,001 to £160,000	-	-	-	-
£160,001 to £170,000	-	-	-	-
£170,001 to £180,000	-	-	-	-
£180,001 to £190,000	-	-	-	-
£190,001 to £200,000	-	-	-	-
£200,001 to £210,000	-	-	-	-
£210,001 to £220,000	1	-	1	-
	<u>1</u>	<u>8</u>	<u>1</u>	<u>5</u>

Included in the numbers of other staff are nil staff members (2021: nil) who received severance payments. The value of the severance payment was £nil (2021: £nil).

## 9. Staff Costs – Continued

### Key Management Personnel

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the college. The costs below represent the costs of the members of the Executive Leadership Team (ELT) for the period. Staff costs include compensation paid to key management personnel. The ELT membership is listed on page 16.

	2022 £000	2021 £000
Key management personnel compensation	895	797
Number of staff	<u>9</u>	<u>6</u>

## 10. Directors' Remuneration

	2022	2021
The number of Executive Directors during the year including the Principal and Chief Executive	<u>1</u>	<u>1</u>
	2022 £000	2021 £000
Salaries (including benefits in kind)	215	211
Fees (Non-Executive Directors)	200	162
Pension contributions	<u>47</u>	<u>46</u>
	<u>462</u>	<u>419</u>

The emoluments of the Principal and Chief Executive (also the highest paid director)

	2022 £000	2021 £000
Salary	204	201
Taxable benefits	11	10
Pension	<u>47</u>	<u>46</u>
	<u>262</u>	<u>257</u>

The remuneration of the Principal in the year ended 31 March 2022 was £262k. This was 7.2 times (2021 – 7.5 times) the median of the total remuneration of the workforce and 6.5 times (2021 – 6.6 times) the median salary of the workforce. A proportion of the Non-Executive Directors fees are recharged to a subsidiary undertaking.

## 11. Analysis of total operating expenditure by activity

	2022	2021	2022	2021
	Group	Group	Company	Company
	£000	£000	£000	£000
Academic departments	19,971	17,055	15,726	15,629
Research grants and contracts	13,632	13,597	11,415	11,378
Administration and central services	12,391	12,025	11,520	11,230
Premises and estates	7,148	6,116	6,231	5,532
Residencies, catering and conferences	5,345	3,570	5,039	3,331
Other including income generating operations	22,774	21,192	4,689	2,881
Depreciation and impairment	8,901	7,858	8,686	7,694
Release of negative goodwill	(1,332)	(1,353)	(1,332)	(1,353)
Interest	587	565	587	565
	<u>89,417</u>	<u>80,625</u>	<u>62,561</u>	<u>56,887</u>

### Other operating expenditure includes:

	Group and company	
	2022	2021
	£000	£000
Operating lease rentals	262	250
Depreciation	5,317	5,179
Amortisation	313	352
Impairment	3,271	2,327
Release of negative goodwill	(1,332)	(1,353)
Fees charged by external auditor:		
SRUC and subsidiary companies		
Audit fee for the company	81	76
Audit-related assurance services	2	2
Other compliance work	-	58
Fees charged by internal auditor:		
Internal audit services	49	43
Tax compliance services	1	8
Tax advisory services	2	7
Other compliance work	-	-



## 12. Interest and other finance costs

	Group and company	
	2022 £000	2021 £000
Loan interest	25	16
Finance lease interest	-	-
Net interest charge – pension schemes	562	549
	<u>587</u>	<u>565</u>

## 13. Intangible Fixed Assets

	Group and company	
	Software	
	£000	
Cost or fair value:		
1 April 2021		3,558
Additions		1,165
31 March 2022		<u>4,723</u>
Amortisation:		
1 April 2021		2,148
Charge for year		313
31 March 2022		<u>2,461</u>
Net Book Value:		
31 March 2022		<u>2,262</u>
1 April 2021		<u>1,410</u>

Included in intangible fixed assets is software under development of £1,047k (2021: £78k).

## 14. Negative Goodwill

	Group and company	
	2022	2021
	£000	£000
At 1 April 2021	(30,340)	(31,693)
Release of negative goodwill to income statement	1,332	1,353
At 31 March 2022	<u>(29,008)</u>	<u>(30,340)</u>

## 15. Tangible Fixed Assets

	Group and company				
	Freehold land and buildings	Leased buildings	Equipment	Vehicles	Total
	£000	£000	£000	£000	£000
Cost or fair value:					
1 April 2021	106,319	5,037	26,594	1,767	139,717
Additions	2,737	-	2,810	97	5,644
Disposals	(4,810)	-	(42)	(176)	(5,028)
31 March 2022	<u>104,246</u>	<u>5,037</u>	<u>29,362</u>	<u>1,688</u>	<u>140,333</u>
Depreciation:					
1 April 2021	38,791	1,360	20,674	1,581	62,406
Charge for year	2,948	136	2,136	97	5,317
Disposals	(2,223)	-	(28)	(176)	(2,427)
Impairment	3,266	-	5	-	3,271
31 March 2022	<u>42,782</u>	<u>1,496</u>	<u>22,787</u>	<u>1,502</u>	<u>68,567</u>
Net Book Value:					
31 March 2022	<u>61,464</u>	<u>3,541</u>	<u>6,575</u>	<u>186</u>	<u>71,766</u>
1 April 2021	<u>67,528</u>	<u>3,677</u>	<u>5,920</u>	<u>186</u>	<u>77,311</u>

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 of 3.3m was matched by a release of deferred capital grant of £2.2m.

Included in freehold land and buildings is land of £13.7m (2021: 13.7m) which is not depreciated.

Included in equipment are assets under construction amounting to £2,986k (2021: £392k) which are not depreciated.

## 16. Investments

	2022 Group £000	2021 Group £000	2022 Company £000	2021 Company £000
Listed investments				
At 1 April 2021	191	142	191	142
Movement on valuation	11	49	11	49
At 31 March 2022	<u>202</u>	<u>191</u>	<u>202</u>	<u>191</u>
Investments in associates				
At 1 April 2021	14	14	-	-
Additions	-	-	-	-
At 31 March 2022	<u>14</u>	<u>14</u>	<u>-</u>	<u>-</u>
Endowment investments				
At 1 April 2021	5,414	4,384	5,414	4,384
Donations	-	-	-	-
Income	135	135	135	135
Disbursements	(41)	(71)	(41)	(71)
Appreciation/(Depreciation) of asset investments	264	966	264	966
At 31 March 2022	<u>5,772</u>	<u>5,414</u>	<u>5,772</u>	<u>5,414</u>
Total investments	<u>5,988</u>	<u>5,619</u>	<u>5,974</u>	<u>5,605</u>

## 17. Stocks

	Group and company	
	2022 £000	2021 £000
Farm stocks	3,348	3,062
Goods for resale	6	4
	<u>3,354</u>	<u>3,066</u>

## 18. Debtors

	2022 Group £000	2021 Group £000	2022 Company £000	2021 Company £000
Trade receivables	5,890	4,891	2,209	999
Prepayments and other debtors	6,930	3,011	6,038	2,712
Amounts recoverable on contracts	3,156	5,727	1,752	3,435
Amounts due from fellow Group Companies	-	-	2,506	2,772
	<u>15,976</u>	<u>13,629</u>	<u>12,505</u>	<u>9,918</u>

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

	2022 Group £000	2021 Group £000	2022 Company £000	2021 Company £000
Trade creditors	4,285	3,153	3,426	2,491
Other taxation and social security	1,972	2,256	1,972	2,257
Other creditors	2,445	1,346	2,440	1,336
Accruals	7,785	8,265	7,183	7,752
Payment received in advance	5,956	8,594	3,523	5,807
Loans (note 21)	1,227	617	1,227	617
Deferred capital grant (note 22)	6,517	3,924	6,517	3,924
	<u>30,187</u>	<u>28,155</u>	<u>26,288</u>	<u>24,184</u>

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

	Group and company	
	2022 £000	2021 £000
Deferred capital grants (note 22)	25,258	27,898
Loans (note 21)	<u>16,145</u>	<u>5,382</u>
	<u>41,403</u>	<u>33,280</u>

## 21. Loans

	Group and company	
	2022 £000	2021 £000
Due within one year (note 19)	1,227	617
Due between one and two years	1,227	617
Due between two and five years	3,680	1,850
Due in five years and more	11,238	2,915
Due after more than one year (note 20)	16,145	5,382
Total loans	17,372	5,999

The loans not wholly repayable within five years are loans from The Scottish Funding Council under the University Financial Transactions Funding arrangements. They are unsecured and carry an interest rate of 0.25% per annum. £3,640k is repayable over equal annual instalments until 31 March 2029, £1,742k is repayable over equal annual instalments until 31 March 2040, £3,990k is repayable over equal annual instalments until 31 March 2041, and £8,000k is repayable over equal annual instalments until 31 March 2042.

## 22. Deferred Capital Grants

	Group and company			
	£000 1 April 2021	£000 Receivable	£000 Released to SOCI (Notes 1 and 2)	£000 31 March 2022
Buildings	24,531	-	(5,020)	19,511
Equipment	7,291	7,004	(2,031)	12,264
	31,822	7,004	(7,051)	31,775

Disclosed as:

	2022 £000
Creditors due within one year	6,517
Creditors due in more than one year	25,258
	31,775

Deferred capital grants receivable in the year are as follows:

	Total £000
Scottish Government	-
Scottish Funding Council	7,004
	7,004

## 23. Provision for Liabilities

	Group and company	
	2022 £000	2021 £000
Unfunded pension liability		
At 1 April 2021	921	947
Paid in the year	(64)	(62)
Transfer to the income statement	(76)	36
At 31 March 2022	<u>781</u>	<u>921</u>

SRUC has an obligation in respect of former employees who have retired early or for whom an enhanced pension has been provided. A valuation of the unfunded liability was carried out at 31 March 2022 by Hymans Robertson LLP, an independent actuarial firm.

## 24. Financial Instruments

The Group and Company's income, expense, gains and losses in respect of financial instruments are as follows

	Note	2022 £000	2021 £000	2022 £000	2021 £000
Fair value (losses)/gains on financial assets measured at fair value through income and expenditure	16	<u>275</u>	<u>1,015</u>	<u>275</u>	<u>1,015</u>

A total of £6.0m of investments (2021: £5.6m) were measured at fair value through the Statement of Comprehensive income.

## 25. Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted Permanent	Restricted Expendable	Unrestricted	Group and company Total
	£000	£000	£000	£000
At 1 April 2021				
Capital	4,703	257	454	5,414
New endowments	-	-	-	-
Investment income	118	6	11	135
Expenditure	(36)	(2)	(3)	(41)
Increase in market value	229	13	22	264
Total comprehensive income for the year	311	17	30	358
At 31 March 2022	5,014	274	484	5,772

Analysis by asset:

	2022 £000	2021 £000
Investments	5,437	5,162
Cash and cash equivalents	335	252
	5,772	5,414

## 26. Cash generated from operations

	2022 £000	2021 £000
Operating surplus/(deficit)	(903)	110
<b>Adjusted for:</b>		
Loss/(Gain) on disposal of fixed assets	390	23
Unrealised movements on investments	(275)	(1,015)
Pension costs less contributions payable	(438)	(543)
Depreciation and amortisation	5,630	5,531
Impairment	3,271	2,327
Goodwill release	(1,332)	(1,353)
Deferred capital grant release	(7,051)	(4,067)
Interest received	(41)	(209)
Endowment income	(94)	(64)
Interest paid	587	565
<b>Movements in working capital:</b>		
(Increase)/decrease in stock	(288)	(392)
Decrease/(increase) in debtors	1,306	964
Increase/(decrease) in creditors	(1,312)	5,459
<b>Net cash generated from operating activities</b>	<b>(550)</b>	<b>7,336</b>

## 27. Obligations Under Leases and Hire Purchase Contracts

As at 31 March 2022, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as follows:

	Land and Buildings		Equipment	
	2022 £000	2021 £000	2022 £000	2021 £000
Within one year	644	607	143	150
In two to five years	1,825	1,970	49	152
In over five years	449	663	-	-
	<u>2,918</u>	<u>3,240</u>	<u>192</u>	<u>302</u>



### 28. Pensions

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

- a) The Research Councils' Pension Scheme
- b) The SRUC Group Pension Plan
- c) The Citrus Pension Plan
- d) The local Government Pension Funds: Dumfries and Galloway Council Pension Fund, Fife Council Pension Fund and Lothian Council Pension Fund
- e) Scottish Teachers Superannuation Scheme (STSS)

A summary of FRS102 pension liabilities is included at the end of section d) of this note. The total recognised in the Statement of Comprehensive Income in relation to defined contribution pension schemes was £3,398k (2021: £2,826k).

#### 28. a). The Research Councils' Pension Scheme ("RCPS")

The RCPS is a defined benefit scheme which is an analogous scheme to the Principal Civil Service Pension Scheme (PCSPS) in which payments from the schemes are funded by current employee's and employers' pension scheme contributions with the difference between these contributions and the scheme expenditure financed by Grant-in-Aid provided from the Department for Business, Innovation and Skills. The RCPS is a multi-employer scheme and it is not possible to identify each participating institution's share of the underlying liabilities of the scheme hence contributions to the scheme are accounted for as if it were a defined contribution scheme. Employees provide 1.5% of their salary as widows or widowers benefit. Funding for the scheme comes primarily from Scottish Government with a monthly contribution from SRUC. From 1 October 1998 this scheme was closed to new employees of SRUC. The agreed contribution rates are 26% for employers and 4.6% to 8.05% for employees.

#### 28. b). 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 Aberdeen. The contributions are set at 5% for employees and 10% for SRUC. The scheme was closed to new employees of SRUC from 1 January 2001 to 31 December 2004 and reopened to new employees from 1 January 2005.

#### 28. c). The Citrus Pension Plan

The Citrus scheme is a defined benefit scheme and was offered to new entrants from 1 June 2001 until the scheme's closure to new entrants on 31 December 2004. The scheme is closed to new members. The assets of the scheme are held in a separately administered fund. The last formal triennial valuation was performed as at 31 March 2020 by a professionally qualified actuary. The contributions are set at 9% and 9.5% for employees. Employers' rates increased from 21.5% and 22% to 27% and 27.5% starting February 2022. An additional payment of £1,187k was made into the plan in the year and is recorded as employers' contributions.

The valuation used for FRS 102 disclosures has been based on the triennial actuarial valuation on 31 March 2020 and updated by Hymans Robertson in order to assess the assets and liabilities of the scheme at 31 March 2022. SRUC has been advised by the trustees as to the financial effects of this which need to be duly considered. Scheme assets are stated at their market values at the respective balance sheet dates. The annual charge reflects the estimated impact of the Guaranteed Minimum Pension ruling (GMP).

## Assumptions

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

Weighted average assumptions used to determine benefit obligation	2022	2021
Price inflation (RPI)	3.55%	3.25%
Price inflation (CPI)	3.25%	2.90%
Rate of pension increase (RPI capped at 5%)	3.40%	3.15%
Rate of pension increase (RPI capped at 2.5%)	2.30%	2.20%
Rate of pension increase (CPI capped at 2.5%)	2.20%	2.10%
Rate of salary increase	3.55%	3.25%
Discount rate	2.75%	2.05%

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

	2022	2021
Member Age 65 future life expectancy - male	22.0	22.5
Member Age 65 future life expectancy - female	23.2	22.8
Member Age 45 future life expectancy at age 65 - male	23.5	23.8
Member Age 45 future life expectancy at age 65 - female	26.6	26.6

## Notes to the Financial Statements

The assets and liabilities of the scheme at 31 March 2022 are:

	Fair value at 2022	Fair value at 2021
<b>Assets</b>	<b>£000</b>	<b>£000</b>
Scheme assets at fair value		
Equities	4,383	2,955
Multi asset credit funds	-	-
Diversified growth and hedge funds	-	7,535
Liability-driven investments	7,430	6,697
Cash	2,654	2,076
Absolute bond return	3,927	3,745
Asset backed securities	10,753	5,299
Private lending/debt	2,524	2,555
Synthetic credit	3,344	1,841
Infrastructure	4,389	3,448
<b>Insurance linked securities</b>	<b>3,531</b>	<b>3,203</b>
<b>Total</b>	<b>42,935</b>	<b>39,354</b>
<b>Present value of scheme liabilities</b>	<b>(57,944)</b>	<b>(61,244)</b>
<b>Deficit in the scheme- net pension liability</b>	<b>(15,009)</b>	<b>(21,890)</b>

The Citrus deficit is sensitive to the actuarial assumptions used. The assumptions are set following advice received from a qualified actuary. The following table highlights the sensitivities regarding the principal assumptions used to measure the scheme liabilities.

	£000
Base case	57,944
0.5% decrease in real discount rate	65,069
1 year increase in member life expectancy	60,262
+0.5% change in salary increases	58,695
+0.5% change in inflation	61,804

## Notes to the Financial Statements

	2022	2021
	£000	£000
<b>Analysis of the amount charged to operating surplus</b>		
Current service cost	1,844	1,448
Past service cost	-	-
Administration costs	95	81
	<u>1,939</u>	<u>1,529</u>
<b>Analysis of the amount charge to other finance income</b>		
Interest income on Plan assets	824	813
Interest charge on Plan liabilities	(1,252)	(1,233)
<b>Net charge to other finance income</b>	<u>(428)</u>	<u>(420)</u>
<b>Analysis of amount recognised in Other Comprehensive Income (OCI)</b>		
Actual return on assets excluding amounts included in net interest	744	2,405
Actuarial (losses)/gains on plan obligations	6,038	(5,193)
<b>Re-measurement (loss)/gain recognised in OCI</b>	<u>6,782</u>	<u>(2,788)</u>
<b>Analysis of movement in the deficit</b>		
Deficit at 1 April 2021	(21,890)	(19,196)
Contributions paid by the College	2,466	2,043
Current service cost	(1,844)	(1,448)
Administration cost	(95)	(81)
Past service cost	-	-
Other finance charge	(428)	(420)
(Loss)/gain recognised in comprehensive income	6,782	(2,788)
<b>Deficit at 31 March 2022</b>	<u>(15,009)</u>	<u>(21,890)</u>

	2022	2021
	£000	£000
<b>Change in benefit obligation</b>		
Opening defined benefit obligation	61,244	53,814
Current service cost	1,844	1,448
Past service cost	-	-
Administration cost	95	81
Interest cost	1,252	1,233
Scheme participants' contributions	16	16
Actuarial losses/(gains)	(6,038)	5,193
Benefits paid	(469)	(541)
<b>Benefit obligation as at 31 March</b>	<b>57,944</b>	<b>61,244</b>
<b>Change in scheme assets</b>		
Opening fair value of scheme assets	39,354	34,618
Interest income	824	813
Member contributions	16	16
Employer contributions	2,466	2,043
Actual return on assets	744	2,405
Benefits paid	(469)	(541)
<b>Fair value of scheme assets as at 31 March</b>	<b>42,935</b>	<b>39,354</b>
<b>Net amount recognised</b>	<b>(15,009)</b>	<b>(21,890)</b>

## 28. d). The Local Government Pension Schemes

The valuation used for FRS 102 disclosures has been based on the most recent triennial actuarial valuation which took place on 31 March 2020 and updated by Hymans Robertson in order to assess the assets and liabilities of the scheme at 31 March 2022. SRUC has been advised by the trustees as to the financial effects of this which need to be duly considered. Scheme assets are stated at their market values at the respective balance sheet dates. The annual charge reflects the estimate impact of the Guaranteed Minimum Pension ruling (GMP) and the McCloud judgement.

The following disclosures are required under FRS 102 for the local government pension schemes. Retirement benefits are recognised when they are earned and not when they are due to be paid. Employee contributions are applied in tiers depending on the rate of pensionable pay and start from 5.5% to a maximum of 12%.

### 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 2020. The employers' contribution rate is 20.2%

## 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 2020. The employers' contribution rate is 36%.

## 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 2020. The employers' contribution rate is 42.5%. An additional payment of £200k was made into the plan in the year and is recorded as employers' contributions

## Assumptions

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

Weighted average assumptions used to determine benefit obligations	2022	2021
Price inflation (RPI)	3.55%	3.25%
Price inflation (CPI)	3.25%	2.90%
Rate of pension increase (CPI)	3.20%	2.85%
Discount rate	2.70%	2.00%
Rate of salary increase	3.70%	3.35%

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

	2022	2021
Male Member Age 65 (life expectancy at age 65)	20.1 – 20.8 years	20.3 – 20.8 years
Male Member Age 45 (life expectancy at age 65)	21.2 – 21.8 years	21.5 – 21.9 years
Female Member Age 65 (life expectancy at age 65)	22.9 – 23.3 years	23.1 – 23.3 years
Female Member Age 45 (life expectancy at age 65)	24.9 – 25.2 years	25.1 – 25.3 years

## Notes to the Financial Statements

The assets and liabilities of the three schemes at 31 March 2022 are:

	2022 £000	2021 £000
<b>Assets</b>		
Scheme assets at fair value		
Equities	22,748	21,511
Corporate Bonds	10,996	9,874
Property	3,033	2,468
Cash	1,137	1,411
<b>Total</b>	<u>37,914</u>	<u>35,264</u>
<b>Present value of scheme liabilities</b>	<u>(39,072)</u>	<u>(41,058)</u>
<b>Deficit in the scheme – net pension liability</b>	<u>(1,158)</u>	<u>(5,794)</u>

The LGPS deficits are sensitive to the actuarial assumptions used. The assumptions are set following advice received from a qualified actuary. The following table highlights the sensitivities regarding the principal assumptions used to measure the scheme liabilities.

	Approximate increase in scheme liabilities %	£000
0.1% decrease in real discount rate	2%	740
0.1% increase in the salary increase rate	0%	58
0.1% increase in the pension increase rate	2%	678

## Notes to the Financial Statements

	2022 £000	2021 £000
<b>Analysis of the amount charged to operating surplus</b>		
Current service cost	753	594
Past service cost	-	3
<b>Total charged to operating surplus</b>	<u>753</u>	<u>597</u>
<b>Analysis of the amount charge to other finance income</b>		
Interest income on Plan assets	704	648
Interest charge on Plan liabilities	(838)	(777)
<b>Net charge to other finance income</b>	<u>(134)</u>	<u>(129)</u>
<b>Analysis of amount recognised in Other Comprehensive Income (OCI)</b>		
Actual return on assets excluding amounts included in net interest	2,015	5,561
Other experience	-	987
Actuarial (losses)/gains on plan obligations	2,844	(7,473)
<b>Re-measurement (loss)/gain recognised in OCI</b>	<u>4,859</u>	<u>(925)</u>
<b>Analysis of movement in the deficit</b>	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Deficit at 1 April 2021	(5,794)	(4,769)
Contributions paid by the College	664	626
Current service cost	(753)	(594)
Past service cost	-	(3)
Other finance charge	(134)	(129)
(Loss)/gain recognised in comprehensive income	4,859	(925)
<b>Deficit at 31 March 2022</b>	<u>(1,158)</u>	<u>(5,794)</u>
<b>Change in benefit obligation</b>		
Opening defined benefit obligation	41,058	33,059
Current service cost	753	594
Past service cost	-	3
Interest cost	838	777
Scheme participants' contributions	93	95
Actuarial losses/(gains)	(2,844)	7,473
Benefits paid	(826)	(943)
<b>Benefit obligation as at 31 March</b>	<u>39,072</u>	<u>41,058</u>
<b>Change in scheme assets</b>		
Opening fair value of scheme assets	35,264	28,290
Interest income	704	648
Member contributions	93	95
Employer contributions	664	626
Actual return on assets	2,015	5,561
Other experiences	-	987
Benefits paid	(826)	(943)
<b>Fair value of scheme assets as at 31 March</b>	<u>37,914</u>	<u>35,264</u>



## Summary of FRS 102 net Pension Liabilities

	2022 £000	2021 £000
Citrus Pension Plan	(15,009)	(21,890)
Local Government Pension Funds	(1,158)	(5,794)
Total net pension liability	<u>(16,167)</u>	<u>(27,684)</u>

## 28. e). 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 liabilities therefore, contributions to the scheme are accounted for as if it were a defined contribution scheme. Benefits are funded through pension contributions deducted from members' salaries and a contribution from their employees. Contribution rates and benefits are set by Scottish Ministers on advice from SPPA and the scheme's actuaries. The cost recognised within the results for the year is the contribution payable to the scheme for that year. The agreed contribution rates for future years are 23% for employer and range from 7.2% - 11.9% for employees.

## 29. Investments in Subsidiaries

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

Name of company	Nature of business
SAC Commercial Limited	Commercial consultancy, research and trading
Equestrian Facilities Scotland Limited	Dormant throughout the year
The SAC Foundation	Charitable Trust

The results of these entities are consolidated in the Group accounts.

SAC Corporate Trustee Limited is the trustee of The SAC Foundation which is a charitable trust of which SRUC is the sole beneficiary.

## 30. Investments in Associates

The group holds a 45.6% holding in ID Mapps Ltd which is a collaborative project to fulfil a specific research grant. ID Mapps Ltd is not consolidated using the equity accounting method of accounting on the basis of immateriality. As at the reporting date, 31 October 2021, ID Mapps Ltd had gross assets of £127,412 (2020: £7,641) and net liabilities of £57,916 (2020: £6,443).

The loss recorded for the year ended 31 October 2021 was £51,473. If the equity method were applied the impact of the results would be a loss of £23,472 and capital and reserves of £(26,410).

SRUC holds a 25% holding in MI:RNA LTD which specialises in the development of testing technology for veterinary disease. Nil consideration was paid for the shares so no investment is recorded. MI:RNA LTD is not consolidated using the equity accounting method of accounting on the basis of immateriality. MI:RNA LTD was incorporated in December 2019 and as at the first reporting date 31 December 2020, MI:RNA LTD had gross assets of £24,606 and net liabilities of £754.

If the equity method were applied the impact of the results would be capital and reserves of £(189).

## 31. Bursary and Other Student Support Funds

	Bursary £000	Hardship £000	EMA's £000	2022 Total £000	2021 Total £000
1 April 2021	490	330	3	823	(236)
Received during the year	2,614	387	52	3,053	3,096
Refunded to SFC	-	-	-	-	(6)
Virement of funds	-	-	-	-	-
Expenditure	(2,770)	(538)	(55)	(3,363)	(2,031)
31 March 2022	<u>334</u>	<u>179</u>	<u>-</u>	<u>513</u>	<u>823</u>

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 Statement of Comprehensive Income.

## 32. Childcare Funds

	2022 £000	2021 £000
1 April 2021	14	(7)
Received in year	91	99
Virement of funds	-	-
Refunded to SFC	-	(23)
Expenditure	(82)	(55)
31 March 2022	<u>23</u>	<u>14</u>

## 33. Related Party Transactions

During the year the group and the company entered into related party transactions with wholly controlled undertakings in the ordinary course of business whose results are included in these group accounts, therefore the exemption under FRS102 on non-disclosure of those transactions has been applied.

During the year SAC Commercial Ltd, wholly owned subsidiary of SRUC, provided services of £100k (2021: £62k) to ID Mapps Ltd, the associate company under a subcontract agreement. At the year end, ID Mapps Ltd owed £70k (2021: nil) to SAC Commercial.

No other material related party transactions have taken place.

## 34. Capital Commitments

Amounts contracted for but not provided in the financial statements amounted to £6,021k (2021: £1,875k).

## 35. Contingent Asset

SRUC is involved in a land tribunal hearing with the expectation of receiving compensation. The case has not been concluded and the amount is not possible to reliably estimate.

## General Information

<b>Chairman</b>	Ms Linda Hanna
<b>Chief Executive and Principal</b>	Professor Wayne Powell
<b>Company Secretary</b>	Colin Peebles
<b>Registered Office</b>	West Mains Road Edinburgh EH9 3JG
<b>External Auditor</b>	RSM UK Audit LLP Third Floor 2 Semple Street Edinburgh EH3 8BL
<b>Internal Auditor</b>	KPMG LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EG
<b>Bankers</b>	Virgin Money 83 George Street Edinburgh EH2 3ES
<b>Solicitors</b>	Morton Fraser Quartermile Two 2 Lister Square Edinburgh EH3 9GL
<b>Actuaries</b>	Mercer 15 Lauriston Place Edinburgh EH3 9EN
<b>Stockbrokers</b>	Rathbone Investment Management Ltd George House 50 George Square Glasgow G2 1EH