



REPORT and FINANCIAL STATEMENTS

31 MARCH 2024

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Principal's Report



In March this year I was profoundly struck by the independent assessment by the UK Committee on Climate Change (CCC) that Scotland's agriculture sector is among the industries that require "a particularly rapid increase in the rate of emissions reduction" to help meet the country's net zero targets.

The CCC's clear view that current policy frameworks and emissions reduction schemes weren't up to the task was one of a number of drivers informing the Scottish Government's decision to scrap the target of reducing greenhouse gases by 75% by 2030. The lesson is clear: net zero for Scotland by 2045 must remain a priority, but we will need to rethink

how we address a wide range of connected challenges from climate change to food security and biodiversity loss. These demand that we push the boundaries of what's possible, and lead with courage and conviction.

I have never been more confident that SRUC can lead the way in tackling them head-on by redefining what it means to provide education, research, consulting, and outreach in the fields of agricultural and veterinary sciences.

Notwithstanding the exceptionally challenging financial backdrop that continues to prevail across the further and higher education sectors in the UK, SRUC has been growing its top line and benefiting from a diverse range of income streams as we seek recognition as a new kind of enterprise university at the heart of a sustainable natural economy.

Over the past year we have been crafting an ambitious new strategy designed to expand our well-established roots in tertiary education, research excellence and innovative ventures to deliver sustained impact in the natural economy. By tapping into our core institutional strengths of deep subject knowledge, talented people and a determination to innovate for success, we're building on strong foundations to become one of the most powerful voices in our sphere.

Key to achieving that success is the achievement of Taught Degree Awarding Powers (TDAP). I have been immensely proud of the ways in which colleagues have worked together through a comprehensive and rigorous TDAP assessment process, which is now complete. TDAP was confirmed by government in October 2024, while plans for Research Degree Awarding Powers (RDAP) are also advancing.

These strategic initiatives will provide SRUC with more flexibility and independence to create new and innovative education models that address the changing needs of society and the wellbeing economy. This will include diversification and expansion of our education portfolio, including new Post Graduate Taught (PGT) programmes – both in person and via distance learning – to support our ambition for growth in international education markets, where we anticipate considerable future demand. We have also grown our apprenticeships and work-based learning, reinforcing the importance of our tertiary model.

A further exciting development has been the development and growth of our new School of Veterinary Medicine in the north east. The ambitious team there, enabled by our progress on TDAP, is now prepared to enrol students on an excellent new degree curriculum. This aims to be truly distinctive in how it supports Scotland's food and drink industry while also seeking to strengthen communities that are struggling to attract and retain veterinary surgeons.

Key to that is a 'mission-led' application process which has been crafted to help identify those students with the aptitude and ability to succeed, particularly from rural backgrounds. We are seeking quite distinctive students and therefore we aim to keep the annual cohort small, focussing primarily on learners here in Scotland. We will also be using a distributed model of clinical training involving a country-wide network of partner practices, working closely with them to support activities in the primary care arena.

This follows on from the award of a prestigious Queen's Anniversary Prize (QAP) for Higher and Further Education, which I had the honour to accept on SRUC's behalf from the Queen at Buckingham Palace in February this year. Extraordinarily this was the second time in the past six years that we have received a QAP, which is the highest form of national recognition open to educational institutions in the UK. The award recognises our contribution to animal welfare, veterinary science, education, research and the economy through our world-class Veterinary Services network.

Indeed, SRUC's exceptional research power means we are ranked number one in the UK for Agriculture, Food and Veterinary Sciences. This in turn makes us an attractive proposition for partnerships with industry that cement new commercial relationships and strategic alliances. Scottish, UK and international funding agencies continue to place considerable emphasis on the role of business-led research to support economic growth, particularly in rural communities and SRUC has continued to shape new arenas for collaboration.

The opening in March by Her Royal Highness, the Princess Royal of our £12.5m Rural and Veterinary Innovation Centre (RAVIC) at HIE's Inverness campus has been a case in point. RAVIC will complement the thriving life sciences sector already established in Inverness, providing opportunities for synergy and collaborations between local knowledge-based institutions, regional businesses and national partners.

Elsewhere projects like Dairy Nexus, Digital Dairy Chain, and SeedPod fit perfectly into our wider vision for a robust rural economy with growing natural capital in diverse rural communities the length and breadth of Scotland. They're concrete reminders that when government partners with academia, businesses and communities to unlock joint investment, widespread benefits can be unleashed, such as cutting carbon emissions, boosting productivity, enhancing food security and opening up new markets for rural enterprises.

With a new government at Westminster, as well as a refreshed Scottish Government administration led by a new First Minister and Deputy First Minister, I sense a renewed appetite among policymakers across the UK to get to grips with these so-called 'grand challenges'.

SRUC is committed to working with each in the pursuit of increased economic growth and the creation of a sustainable, dynamic, and inclusive economic future for Scotland. Of course these ambitions would be unachievable without the dedication of everyone at SRUC working together to make our shared vision happen. Not a day passes when I fail to be genuinely inspired by the talent and dedication of colleagues, without which our progress would be impossible.

Professor Wayne Powell

19 December 2024

Strategic Report

The directors present the Strategic Report of SRUC for the year ended 31 March 2024. 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 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 2024 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.

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 SRUC Innovation Limited (formerly SAC Commercial Limited). The profits of SRUC Innovation are surrendered by way of gift aid where possible.

A full statement of the Board's responsibilities is detailed on page 26, membership of the Board is detailed on page 11 and the Board's corporate governance arrangements are detailed on pages 23–25. 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 2024 is taken to include SRUC and its directly controlled subsidiaries SRUC Innovation Limited (formerly SAC Commercial Limited), Agrecalc Limited and the SAC Foundation. Following the year end, the SAC Foundation was dissolved in July 2024.

SRUC Strategic Aims

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.

	2024	2023
	£m	£m
Total comprehensive income	5.4	5.5
Actuarial gain	(7.1)	(11.9)
Movement in fair value of investments	(0.3)	0.3
Impairment	2.0	1.2
Release of deferred grants relating to impairment	-	(0.8)
Release of negative goodwill relating to impairment	(1.9)	-
Pension deficit contributions	1.4	1.7
Pension FRS102 year end adjustment	(1.8)	(0.8)
Severance costs	0.4	0.3
Gain on fixed asset disposals	(8.9)	(0.2)
Other non-recurring items	-	0.2
Operating deficit	(10.8)	(4.5)

The Statement of Comprehensive Income reports a total surplus on comprehensive income of £5.4m for the year (2023: surplus of £5.5m). The underlying operating position was a deficit of £10.8m (2023: deficit of £4.5m) as shown in the table above.

The Statement of Comprehensive Income shows an increase in turnover of £0.6m from 2023 (2023: £3.1m from 2022). When the figures are adjusted for deferred grants released in respect of fixed assets, turnover has increased by £0.9m (2023: £6.2m).

In what was a challenging year across the whole sector, SRUC delivered an operating deficit of £10.8m (2023: deficit £4.5m). The deficit is the result of macroeconomic pressure whilst continuing the growth agenda as well as achieving strategic objectives. The year on year deficits have, coupled with capital investment, significantly depleted cash reserves, which highlighted the urgent need for strategic measures to ensure long-term sustainability.

SRUC has embarked on a fundamental review of its operations to stem the trend of increasing annual deficits and to accelerate a transformation of its operating models which had been identified as part of its 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 2024, the fundamentals remain positive:

- Growth in underlying revenues 1% (2023: 8%);
- Strong balance sheet with £14.6m (2023: £24.1m) of cash and Current asset investments.
- Low-cost loans due to below prevailing market rate interest rates.

For the year ended 31 March 2024, SRUC Innovation Ltd (formerly SAC Commercial Ltd) made a loss of £105k (2023: £866k) and agricultural software development company AgreCalc Limited, incorporated in July 2022, made a loss of £767k (2023: £71k).

Balance Sheet

	2024	2023
	£m	£m
Net assets	28.8	23.4

The main reason for the significant increase in net assets is the actuarial gain of £7.1m (2023: £11.9m) in respect of pension schemes.

Fixed assets

The net book value of Intangible and Tangible fixed assets at 31 March 2024 was £65.3m (2023: £56.2m). Additions in the year amounted to £13.5m (2023: £10.9m) and include the construction of the Rural and Veterinary Innovation Centre in Inverness and Vertical Farm in Edinburgh. Significant investment was also made in the infrastructure of Central Faculty in Edinburgh, development of Dairy Nexus at our South West Barony campus and SeedPod infrastructure in Aberdeen. Other significant additions relate to digital technology.

The impairment that is recognised in the year of £2.0m (2023: £1.2m) is the result of review of useful life of our properties.

Investments and Endowments

The value of investments and endowments increased by £0.3m as the result of difficult market conditions created by the Covid crisis recovery followed by a surge in inflation and fast increase in interest rates.

Cash and Treasury Management

The treasury management focuses on preserving liquidity, minimising financial risk and optimising returns on surplus funds. Conservative approach is applied to investments, prioritising low-risk, short-term instruments.

Pension Liability

The total pension asset as at 31 March 2024 was £5.4m (2023: liability of £3.5m), an improvement of £8.9m from 2023 (2023: improvement of £12.7m). The significant fall in pension deficit is caused by the discount rates increase arising from the economic environment (inflation and Ukraine crisis). The net pension asset relates to the four final salary pension schemes operated by SRUC. The net asset continues to reflect 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 surplus of £8.6m (2023: surplus of £2.5m) and the other scheme, Citrus, is a multi-employer scheme which had a deficit of £3.2m at the year end (2023: deficit of £6.0m). A deficit recovery plan is in place.

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

- Financial sustainability
- Student recruitment
- Viability/suitability of the large estate
- Cyber-security threats
- Information security and data protection
- On-going economic volatility

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

In response to the Financial Sustainability risk, The Executive Leadership team, with the active support of the Board and the Audit & Risk and Finance & Estates Committees, have been developing a Financial Recovery Plan that will transform SRUC activities while remaining solvent and move to generate positive operating cash flow.

The war in Ukraine continues to have a global impact on energy and food prices. Israel/Palestine conflict and relating protests regularly making the headlines. Expected inflation and cost of living pressures are included in our financial planning.

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.

In order to ensure the connected and holistic approach to managing risk and ensuring alignment between individual operational risk frameworks and the overall institutional corporate risk register, the Risk Management Group (RMG) was established in 2021. RMG consists of 11 Senior Leadership members and one Executive Leadership member. The group's remit is to review and prioritise the main operational risks and make recommendations for the transfer of risks between the corporate risk register and the operational 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.

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 £14.6m (2023: £24.1m) in cash and current asset investments.

Foreign currency risk

The Group's principal transactions in foreign currency are European Union research funding and foreign suppliers' payments. 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 2024 (2023: none).

Future Developments and Factors Influencing Performance

While SRUC's new strategy sets out our ambition to become a global tertiary powerhouse for the natural economy, it also recognises that what makes us distinctive now will continue to be our points of differentiation in the future.

With taught degree-awarding powers, SRUC will become a distinctive tertiary university at the heart of the natural economy and characterised by a unique combination of education, research, innovation and enterprise, and commercial ventures.

We will retain our place-based mission, focused on natural capital to support a green recovery in the more rural parts of Scotland, while simultaneously thriving within the 'golden diamond' of collaboration – driving imaginative new ways of working between business, government, communities, and academia.

In the short term, our focus is firmly on achieving degree-awarding powers and embracing university college status to strengthen our capabilities as educator and researcher and to present ourselves as a local, national, and international leader in the natural economy.

Beyond this, our strategy is driven by three over-riding aspirations.

Firstly, to create a high performing innovation and skills ecosystem that is built on the needs of a natural capital-based economy.

Secondly, we will maximise the full potential of our capital investments in strategic resources like RAVIC, ONE SeedPod, GreenShed, Digital Dairy Chain and Dairy Nexus to support regional and National economic growth.

And thirdly, to actively champion new ways of working, and the focused mobilisation of resources across the Scottish and international natural economy ecosystem, to help address the big challenges that we face on a global basis.

At the same time we remain acutely conscious that the financial backdrop for further and higher education across the UK remains acutely challenging in the short term. That's why, as well as making existing revenue streams work harder for us, we have also been proactively planning ways to review core operational costs across the organisation to ensure that sustainability is maintained.

We will also work closely the SFC to advocate for sustainable funding settlements that help unlock the revenue growth we expect to see. We remain in a powerful position at an opportune time, and the potential for growth should not be underestimated as we aim to establish a truly global tertiary powerhouse for the natural economy.

Wayne Powell

Principal and Chief Executive

19 December 2024

Directors' Report

Registered No: SC103046

The directors present their report for the year ended 31 March 2024.

The directors who held office during the year are:

	Date of Appointment	Date of Retirement	Status of Appointment
Professor W P Powell	1 July 2016	n/a	Chief Executive
Mrs M E Khnichich	13 June 2019	12 June 2025	Non-Executive
Dr M Aitchison (union representative)	10 December 2019	9 December 2025	Non-Executive
Mrs J A Craigie	15 December 2020	14 December 2026	Non-Executive
Mr D J Bell	15 December 2020	14 December 2026	Non-Executive
Mr C M Sayers	15 December 2020	19 July 2024	Non-Executive
Professor Sir C P Downes	31 March 2021	30 March 2027	Non-Executive
Mr A R Peddie	31 March 2021	30 March 2027	Non-Executive
Professor M A Smith	14 October 2021	13 October 2027	Non-Executive
Mr C Davidson (staff elected)	14 June 2022	13 June 2028	Non-Executive
Mrs L M Hanna MBE (Chair from 6 April 2022)	6 April 2022	5 April 2025	Non-Executive
Miss J A Fortune	1 August 2023	31 July 2026	Non-Executive
Miss D Ellen	14 September 2023	30 June 2024	Non-Executive
Miss C A Stewart	14 September 2023	30 June 2024	Non-Executive
Ms A Brown	27 March 2024	19 July 2024	Non-Executive
Dr K E Hayter	27 March 2024	26 March 2027	Non-Executive
Mrs F M Larg MBE	27 March 2024	26 March 2027	Non-Executive
Mr J R Hume	6 October 2017	15 September 2023	Non-Executive
Mr W J Ross OBE	6 October 2017	15 September 2023	Non-Executive
Mr R B Wood CVO (Vice Chair from October 2020)	6 October 2017	15 September 2023	Non-Executive
Ms E Murray OBE	3 September 2019	14 September 2023	Non-Executive
Miss R Asli (student member)	1 July 2021	30 June 2023	Non-Executive
Miss Z N Reilly (staff member)	14 December 2021	13 October 2023	Non-Executive
Dr C V M Williams	1 July 2022	30 June 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. 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 one-year term.

The Executive Leadership Team (ELT) is responsible for the day-to-day management and during the year consisted of:

Principal and Chief Executive	Professor Wayne Powell
Provost and Deputy Principal	Professor Jamie Newbold
Chief Operating Officer and Deputy Chief Executive	Gavin Macgregor
Vice Principal Skills and Lifelong Learning	Dr Mary Thomson
Vice Principal Enterprise & Knowledge Exchange	Dr Susannah Bolton
Director of Finance	Hugh Anderson to 31 Jan 2024
Vice Principal External Relations and Student Experience	Caroline Bysh to 15 Dec 2023
Vice Principal Commercial	Andrew Lacey

Departing members of the Executive Leadership team have not been immediately replaced. This decision reflects alignment with the priorities outlined in the Financial Recovery Plan (page 21).

Directors' attendance

Details of the Directors' attendance record at Board meetings and relevant Board Committee meetings in the period 1 April 2023 to 31 March 2024 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	Strategic Performance Committee
Number of meetings in period	5	4	5	4	4	2
Non-Executives SRUC						
Dr M Aitchison (union representative)	1(1)					
Miss R Asli (student member)	1(1)					
Mr D Bell	5(5)			3(3)	2(2)	
Ms Aileen Brown	1(1)					
Mrs J Craigie	4(5)		3(3)			
Mr C Davidson	4(5)					
Prof Sir P Downes	4(5)		1(2)			2(2)
Miss D Ellen (student member)	3(4)		2(2)			
Ms J Fortune (union representative)	5(5)					
Mrs L Hanna (Chair)	5(5)		5(5)	1(1)		2(2)
Dr K Hayter	1(1)					
Mr J Hume	2(2)				1(2)	
Mrs M Khnichich	5(5)				4(4)	
Mrs F Larg	1(1)					
Ms E Murray OBE	1(2)		3(3)	1(1)		
Mr A Peddie	5(5)				4(4)	
Mr Z Reilly (staff member)	2(2)		2(2)			
Mr W Ross OBE	2(2)			2(4)		
Mr C Sayers	4(5)				3(3)	2(2)
Professor M Smith*	5(5)	4(4)	2(2)			
Ms C Stewart (student member)	2(4)					
Mr D Overton*		4(4)				
Mr B Wood CVO* (Vice Chair from October 2020)	2(2)	2(4)		4(4)		
Dr C V M Williams	0(1)					

	SRUC Board	SAC Commercial Board (SACC)	Remuneration & Appointments Committee	Audit & Risk Committee	Finance & Estates Committee	Strategic Performance Committee
Number of meetings in period	5	4	5	4	4	2
Executive Directors						
Prof W Powell (SRUC and SACC)	5(5)	3(4)	5(5)**	4(4)**	4(4)**	2(2)
Mr H Anderson (SACC)	3(3)**	3(3)		3(3)**	3(3)**	
Mr A Lacey (SACC)	5(5)**	4(4)				
Prof J Newbold (SACC)	5(5)**	4(4)				

* SAC Commercial Board Non-Executive ** In attendance = attends meetings regularly and contributes, but is not a member of the committee/Board.

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 2024.

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.

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.

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.

Equalities Policy

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

As a listed public authority, SRUC must comply with the Public Sector Equality General Duty, which requires us to pay 'due regard' to the need to:

- eliminate unlawful discrimination, victimisation and harassment;
- advance equality of opportunity between people who share a protected characteristic and people who do not, and
- foster good relations between people who share a protected characteristic and people who do not.

In Scotland, public authorities are supported to meet the public sector equality duty through compliance with the Equality Act 2010 (Scotland) (Specific Duties) Regulations 2012 (and subsequent updates).

SRUC's institutional [Equality, Diversity and Inclusion Policy](#) outlines our commitment to equal opportunity for all employees and potential recruits irrespective of a person's sex, age, marital or civil partnership status, race, religion or belief, sexual orientation, gender reassignment or trans status, disability, or pregnancy or maternity status. We gather and analyse equality information across the employment cycle to understand the impacts of our policies.

This policy is supported by our existing Human Resources Policies including our Dignity at Work policy and occupational health service, and by our policies in our Education Manual.

Disability Policy

SRUC is a disability confident employer and 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 (e.g. a physical disability, sensory impairment, medical condition, learning difficulty or mental health condition). Our Human Resources policies are equality impact assessed, including through a disability lens, to help us remove any potentially negative impacts and maximise where our policies can advance equality of opportunity.

SRUC seeks to enable employees with any disability to pursue successfully their work in equality with all other employees, through recognition of the additional support they may need to achieve this. We take a person-centred approach to working with employees and potential recruits to provide reasonable adjustments where appropriate to do so. This may also involve input from our occupational health services and/ or external representative organisations.

Union representation

During the year ended 31 March 2024 SRUC employed six staff (2023: six) who were relevant union officials which equated to 5.1 full time employees (2023: 6.1 full time employees). They all spent between 4% and 32% (2023: 1 and 17%) of their working hours on facility time. The cost of this facility time was £12,936 (2023: £7,457) which equalled 5% (2023: 3%) of the total relevant pay bill.

Fair Work practices

SRUC is a Scottish Living Wage (SLW) employer. The SLW is implemented annually in November effective from the date of publication.

We recognise trade unions across all employee group for the purpose of collective bargaining and have in place a Recognition and Procedural Agreement with the three recognised Trade unions.

Development and learning is supported across the institution, including induction and probation procedures and sponsored education programmes. SRUC has a limited number of zero-hour contracts in place for legitimate appropriate reasons. The number and use of zero hours contracts is reported regularly to the trade unions. We work on the basis of consultation and negotiation and have never use fire and rehire practices.

SRUC reports annually the Gender Pay Gap (GPG) for the institution and produces an annual GPG report. The report is published on our website and outlines the key actions: [SRUC Gender Pay Gap Report](#) SRUC has just been awarded the Bronze level in Athena Swan.

SRUC offers flexible and family friendly working practices for all workers from day one of employment. The suite of policies are available to all staff which all meet and in some cases exceed legislative requirements.

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. During 2023/2024 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. This includes:

- support of international and locally proclaimed human rights;
- procurement of fairly and ethically produced products and fair working practices;
- promotion of the Living Wage;
- promotion of equal opportunity to eliminate discrimination, harassment and victimisation or any other prohibited conduct under the Equality Act 2010.

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.

Being a member of Adaptation Scotland Public Sector (PSCAN) helps us understand and 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.

Our commitment to act on climate change mitigation and adaptation includes action to meet the Scottish Government's target date for net zero emissions of all greenhouse gases by 2045. To meet this challenge SRUC's Board has approved a 'Net Zero' compliance date of 2040.

We will continue to develop and monitor our Climate Change Action Plan and our environmental objectives and targets to assist in meeting our obligations and commitments.

Health and Safety

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.

The Health and Safety Team completed the revalidation audit to maintain our ISO 45001 Occupational Health & Safety Management System accreditation in February 2023. 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 SRUC Innovation Ltd (formerly 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 adhere 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 2024, there were 39 days (2023: 39 days) of creditors outstanding. Interest paid under the Late Payment of Commercial Debts (Interest) Act 1998 amounted to £Nil (2023: £Nil).

Third Party Indemnity Insurance

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

Directors' Statement on Going Concern

SRUC is well-established and renowned for its excellence in teaching, research and consultancy services. As such the demand for SRUC work remains strong, as evidenced by the student cohort for application for 2024-25 academic year, and a recurring portfolio of grant funded and related commercial revenue. SRUC's ability to adapt its teaching model and research provision to current demands is further enhanced by obtaining Taught Degree Awarding Powers.

To maintain and continue growing the institution, SRUC has made significant investments in recent years. These strategic investments in SRUC future teaching and research are already bringing additional benefits to the institution. However, the investments, combined with public sector funding and other inflationary pressures resulted in deficit trading as detailed in the Financial Highlights section of this report. This in turn has significantly depleted SRUC resources, including cash.

The SRUC Management has responded with a detailed 3 year Financial Recovery Plan (FRP), which reflects a robust assessment of cashflow for the period to 31 March 2026, to ensure that SRUC can surmount these challenges and ensure its financial resilience. Key elements of the FRP are already underway, including additional support towards cash flow in the form of a two-year advance of income (£5m) and deferred loan repayments (£3.3m) from the Scottish Funding Council (SFC) until March 2026. A review by SFC is to be scheduled before March 2026. The repayment of the income advance and deferred loans is outside the scope of the management's current assessment. The loan repayments are expected to recommence from April 2026 over the existing loan periods to 2040-2043. For the income advance, SFC will confirm specific recovery arrangements during the review process. Management anticipates that the advance will be recovered via in-year funding adjustments, following a mechanism akin to funding clawbacks, over a suitable timeframe aligned with the progress of the FRP and the enhancement of SRUC's financial resilience.

The FRP is based on number of assumptions which are sensitive to external developments:

- Flat government funding with no significant reductions in tuition fees or capital contributions.
- Inflationary growth in key revenue streams, including commercial research and consultancy and new income for international and Ruk students.
- Staff cost control, including agreements on annual pay awards and agreement for settlement of pension deficit contributions.
- Controlled capital spend including both Business as usual items as well as Strategic capital plans. The capital plan includes cover of key maintenance risks of SRUC property portfolio.

Management acknowledges that some assumptions are not in their full control and represent a risk. In order to mitigate these risks, the FRP includes a number of measures and steps to effectively address them as they arise and identifies mitigating actions available::

- Transparency and credibility of cash flow forecasts, including detailed working capital analysis and best, worst and most likely estimates of the model variable values.

- Frequent and comprehensive reviews, including working with each main budget holder, managing non-essential spend, reviewing short to medium term investment plans to seek opportunities.
- Engagement and support through the Scottish Funding Council.
- Cost reduction and Efficiency improvements, including workforce planning operational cost targeting and tightened procurement authorisation.
- Revenue Enhancement: challenging existing operating models, marketing effort, exploring new market opportunities, enhancing the product and service offering.
- Strategic Asset Management: Identifying underperforming or non-core assets. Considering investing into higher return or use them to improve liquidity.
- Governance and Oversight: SRUC's Financial Recovery Programme Board oversees the delivery of the plan. The Programme Board report through Committees to the SRUC Board; SRUC has proactive communication with all relevant stakeholders.

In support of this plan, detailed cash projections have been prepared for the period to 31 March 2026. Management has reviewed these projections, taking into account potential risk, uncertainties and sensitivities. Based on this analysis and the modelling of the associated impact under the FRP, management has not identified any material uncertainties that would cast significant doubt on the Group's ability to continue as a going concern. Management is satisfied that it remains appropriate to prepare the SRUC and consolidated financial statements on a going concern basis.

Auditor

External audit services were subject to a competitive tender in 2020. RSM UK Audit LLP were successful and were appointed auditor on 11 February 2021. They were awarded contract for initial period of three years to 31 January 2024, with the option to extend the contract, by mutual consent, for two further periods of 12 months each. During the year, these extensions were awarded with the contract end date now being 31 January 2026.

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 19 December 2024 and signed on its behalf by:

Linda Hanna
Chair

Wayne Powell
Principal and Chief Executive

Corporate Governance Statement

Introduction

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

This summary describes the manner in which the Board has applied the principles 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 2023 (“the Code”) updating the 2017 Scottish Code of Good Higher Education Governance.

In the opinion of the Board, SRUC complied with the principles and provisions of the 2023 Scottish Code of Good Higher Education 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. New student members were appointed following elections by the student body and agreement on how SRUCSA co-presidents would interact with the Board.

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.

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 Provost and Deputy Principal.

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 2023 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. It receives quarterly reports on institutional Equality, Diversity, and Inclusion work. The Remuneration and Appointments Committee meets a minimum of four 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 a non-executive member of the Board, includes an external independent member and meets a minimum of four times each year, with the external and internal auditor in attendance. Following on from the risk workshop facilitated by the internal auditors the previous financial year, a risk appetite framework was confirmed.

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 four times annually. As part of its remit, the Finance and Estates Committee discharges Trustee responsibilities regarding 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 2024 and up to the date of approval of the annual report and financial statements.

Linda Hanna

Chair

19 December 2024

Wayne Powell

Principal and Chief Executive

Statement of the Responsibilities of the Board of SRUC

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of SRUC, and ensure that the financial statements are prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006, the Statement of Recommended Practice on Accounting in Higher Education Institutions, and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between SRUC and SFC, the Board, through its designated Accountable Officer (Principal and Chief Executive), is required to prepare financial statements for each financial year which give a true and fair view of SRUC's state of affairs and of the surplus or deficit and cash flows for that year and comply 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 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 2024 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 2024 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

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

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.

Opinion 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 for Universities 2023/2024. 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, Health and Safety legislation 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. We also performed online searches of public information.

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 appropriately 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.

Kelly Adams

Kelly Adams (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP Chartered Accountants
Third Floor 2 Semple Street Edinburgh EH3 8BL

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 2024

		2024	2023	2024	2023
		Group	Group	Company	Company
	Note	£000	£000	£000	£000
Income					
Scottish Government grants	1	16,409	16,905	12,354	12,903
Scottish Funding Council	2	30,292	31,339	30,251	31,339
Tuition fees and education contracts	3	6,465	7,463	6,463	7,455
Research grants and contracts	4	11,437	9,343	7,260	5,620
Advisory and consultancy contracts	5	16,838	15,650	876	912
Other operating income	6	9,933	10,614	3,126	3,160
Investment income	7	901	376	934	376
Total income before endowments and donations		92,275	91,690	61,264	61,765
Endowments and donations	8	7	-	7	-
Total Income		92,282	91,690	61,271	61,765
Expenditure					
Staff costs	9	58,277	54,533	55,734	52,788
Other operating expenditure		40,109	37,690	10,832	8,829
Depreciation and impairment	14,15,16	4,561	5,230	4,501	4,975
Interest and other finance costs	12	230	465	223	465
Total expenditure	11	103,177	97,918	71,290	67,057
Deficit before other gains and losses		(10,895)	(6,228)	(10,019)	(5,292)
Gain on disposal of fixed assets	13	8,877	196	8,873	196
Movement in value of investments		277	(310)	277	(310)
(Deficit)/Surplus for the year		(1,741)	(6,342)	(869)	(5,406)
Actuarial gain in respect of pension schemes	30	7,102	11,851	7,102	11,851
Total comprehensive income for the year		5,361	5,509	6,233	6,445
Total comprehensive income attributable to:					
Trustees of the parent		5,553	5,509	6,233	6,445
Non-controlling interest		(192)	-	-	-
		5,361	5,509	6,233	6,445
Represented by:					
Endowment comprehensive income/(loss) for the year		325	(221)	325	(221)
Unrestricted comprehensive income for the year		5,228	5,730	5,908	6,666
Non-controlling interest		(192)	-	-	-
		5,361	5,509	6,233	6,445

All items of income and expenditure relate to continuing activities.

Statement of Changes in Reserves – Year ended 31 March 2024

	Endowment	Unrestricted	Attributable to the trustees of the parent	Non- controlling interest	TOTAL
Group	£000	£000	£000	£000	£000
Balance at 1 April 2022	5,772	12,134	17,906	-	17,906
Deficit from the income and expenditure statement	(221)	(6,121)	(6,342)	-	(6,342)
Other comprehensive income	-	11,851	11,851	-	11,851
Total comprehensive (loss)/income for the year	(221)	5,730	5,509	-	5,509
Balance at 1 April 2023	5,551	17,864	23,415	-	23,415
Transfer of interest	-	(78)	(78)	78	-
Deficit from the income and expenditure statement	325	(1,874)	(1,549)	(192)	(1,741)
Other comprehensive income	-	7,102	7,102	-	7,102
Total comprehensive (loss)/income for the year	325	5,228	5,553	(192)	5,361
Balance at 31 March 2024	5,876	23,014	28,890	(114)	28,776

	Endowment	Unrestricted	TOTAL
Company	£000	£000	£000
Balance at 1 April 2022	5,772	12,098	17,870
Deficit from the income and expenditure statement	(221)	(5,185)	(5,406)
Other comprehensive income	-	11,851	11,851
Total comprehensive income for the year	(221)	6,666	6,445
Balance at 1 April 2023	5,551	18,764	24,315
Surplus/(Deficit) from the income and expenditure statement	325	(1,194)	(869)
Other comprehensive income	-	7,102	7,102
Total comprehensive (loss)/income for the year	325	5,908	6,233
Balance at 31 March 2024	5,876	24,672	30,548

Balance Sheet at 31 March 2024

	Note	Group		Company	
		2024 £000	2023 £000	2024 £000	2023 £000
Non-current assets					
Intangible assets	14	3,168	2,700	2,631	2,105
Negative goodwill	15	(24,631)	(27,700)	(24,631)	(27,700)
Fixed assets	16	80,706	75,478	80,706	75,478
Investments	17	6,080	5,755	6,066	5,741
		<u>65,323</u>	<u>56,233</u>	<u>64,772</u>	<u>55,624</u>
Current assets					
Stocks	18	3,531	3,727	3,531	3,727
Debtors	19	20,875	24,041	19,017	21,775
Current asset investments	20	5,202	2,030	5,202	2,030
Cash at bank and in hand		9,440	22,058	8,761	21,204
Total current assets		<u>39,048</u>	<u>51,856</u>	<u>36,511</u>	<u>48,736</u>
Creditors: amounts falling due within one year	21	<u>(28,983)</u>	<u>(28,736)</u>	<u>(24,123)</u>	<u>(24,107)</u>
Net current assets		<u>10,065</u>	<u>23,120</u>	<u>12,388</u>	<u>24,629</u>
Total assets less current liabilities		<u>75,388</u>	<u>79,353</u>	<u>77,160</u>	<u>80,253</u>
Creditors: amounts falling due after one year	22	(51,440)	(51,798)	(51,440)	(51,798)
Provisions for liabilities	25	(616)	(656)	(616)	(656)
Net Defined benefit pension asset/ (liability)	30	5,444	(3,484)	5,444	(3,484)
Total Net Assets		<u><u>28,776</u></u>	<u><u>23,415</u></u>	<u><u>30,548</u></u>	<u><u>24,315</u></u>
Reserves					
<i>Restricted reserve</i>					
Endowment reserve	27	5,876	5,551	5,876	5,551
Unrestricted reserves		23,014	17,864	24,672	18,764
Reserves attributable to trustees of the parent		28,890	23,415	30,548	24,315
Non-controlling interest		(114)	-	-	-
Total Reserves		<u><u>28,776</u></u>	<u><u>23,415</u></u>	<u><u>30,548</u></u>	<u><u>24,315</u></u>

The financial statements were approved on 19 December 2024 and signed on behalf of the Board by:

Linda Hanna
Chair

Wayne Powell
Principal and Chief Executive

Group Cash Flow Statement for the Year ended 31 March 2024

	Note	2024		2023	
		£000	£000	£000	£000
Operating activities					
Net cash absorbed by operating activities	28		(12,127)		(9,887)
Investing activities					
Bank interest received		901		376	
Purchase of tangible fixed assets		(12,637)		(10,128)	
Purchase of intangible fixed assets		(816)		(725)	
Net proceeds from sale of assets		13,183		200	
Grants received		3,872		939	
Transfer (to)/from bank investments		(3,172)		13,581	
Net cash generated by investing activities			1,330		4,243
Financing activities					
New loans		-		8,476	
Repayment of loans		(1,671)		(1,227)	
Capital elements of finance leases repaid		(41)			
Interest paid		(109)		(42)	
Net cash generated from financing activities			(1,821)		7,207
(Decrease)/Increase in cash and cash equivalents			(12,618)		1,563
Cash and cash equivalents at start of reporting period			22,058		20,495
Cash and cash equivalents at end of reporting period			9,440		22,058

Reconciliation of net cash flow to movement in net debt

	At 1 April 2023	Cash flows	Non-cash movement	At 31 March 2024
	£000	£000	£000	£000
Cash in hand and at bank	22,058	(12,618)	-	9,440
Current asset investments	2,030	3,172	-	5,202
Loans	(24,621)	1,670	-	(22,951)
Total	(533)	(7,776)	-	(8,309)

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 2024.

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. SRUC is a public benefit entity and therefore has applied the relevant public benefit entity requirements of FRS 102. The entity has taken the exemption to prepare standalone cash flow statement under SORP para 3.3.

The financial statements of SRUC were authorised for issue by the Board of Directors on 19 December 2024. 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.

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 2023/24 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, research and consultancy services. As such the demand for SRUC's work strong, as evidenced by the student cohort for application for 2024-25 academic year, and achieve a recurring portfolio of grant funded and related commercial revenue. SRUC's ability to adapt its teaching model and research provision to current demands is further enhanced by obtaining Taught Degree Awarding Powers.

To maintain and continue growing the institution, SRUC has made significant investments in recent years. These strategic investments in SRUC future teaching and research are already bringing additional benefits to the institution. However, the investments, combined with public sector funding and other inflationary pressures resulted in deficit trading as highlighted in the Directors' Report. This in turn has significantly depleted SRUC resources, including cash.

The SRUC Management has responded with a detailed Financial Recovery plan (FRP), covering a 3 year period but with a focus on cashflows to 31st March 2026, to ensure that SRUC can surmount these challenges, leading to our long term financial resilience. As detailed in the Directors' Report key elements of the FRP include support from the Scottish Funding Council in the form of advanced income (£5m) and deferred loan repayments (£3.6m) to assist with cashflow. The repayment of the income advance and deferred loans is outside the scope of the management's current assessment. The loan repayments are expected to recommence from April 2026 over the existing loan periods to 2040-2043. For the income advance, SFC will confirm specific recovery arrangements during the review process expected to take place before March 2026.

Until such time management anticipates that the advance will be recovered via in-year funding adjustments, following a mechanism akin to funding clawbacks, over a suitable timeframe aligned with the progress of the FRP and the enhancement of SRUC's financial resilience.

Based on the detailed cashflows prepared to 31st March 2026 and taking into account the matters set out above and the modelling of the associated impact under the FRP, management has not identified any material uncertainties that would cast significant doubt on the Group's ability to continue as a going concern. Management is satisfied that it remains appropriate to prepare the SRUC and consolidated financial statements on a going concern basis.

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. MI:RNA Limited is an associate which specialises in testing technology for veterinary disease. ID Mapps Ltd and MI:RNA Ltd are not consolidated 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 of the of changes in the discount rate, life expectancy and inflation is included in note 30.

Goodwill

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

Valuation of fixed assets

Management regularly reviews both external and internal sources of information to identify impairment indicators. During the year, expected useful life of some tangible assets were re-assessed and management identified impairment relating to this re-assessment.

Stock valuation

The group establishes a reliable market value of farm stocks by using external valuers. 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.

Doubtful debt provision

The group makes an estimate of the recoverability of trade and other debtors by considering the ageing of the outstanding debt, and the historic payment profile.

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.

Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor-imposed conditions 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 terms or other 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.

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. Impairment loss is recognised in the Statement of Comprehensive Income and Expenditure.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred. 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:

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

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 is not publicly traded and where the fair value cannot be reliably measured the assets are measured at cost less impairment.

The equity method is not used for investments where the impact is immaterial for the users of SRUC's financial statements.

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.

Financial Instruments

Financial assets

SRUC classes all its financial assets as basic. Basic financial assets, which include trade and other receivables, amounts recoverable on contracts and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Financial assets, other than those held at fair value through income and expenditure (such as fixed asset investments), are assessed for indicators of impairment at each reporting end date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in income and expenditure.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when SRUC transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Financial liabilities

SRUC classes all its financial liabilities as basic. Basic financial liabilities, including trade and other creditors and accruals, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Financial liabilities are derecognised when, and only when, SRUC's contractual obligations are discharged, cancelled, or expire.

Concessionary loans

SRUC has various loans with the Scottish Funding Council (SFC) through the University Financial Transactions Funding programme. These loans are regarded as concessionary in line with the HE SORP (paragraph 26.9) as they are at rates between 0.25% and 1%, below prevailing market rate. These loans, in accordance with the principles set out in FRS 102.34 'Specialised Activities' for public benefit entities, are recorded at cost and are not discounted at a market rate of interest accordingly.

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 with maturity longer than 3 months.

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.

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 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. 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 an asset/liability for its obligations under defined benefit plans net of plan assets. This net defined benefit asset/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.

For the LGPS schemes; in Scotland; until the introduction of the Local Government Pension Scheme (Scotland) (Amendment) (No. 2) Regulations 2024 on 29 June 2024; the underlying regulations permitted the unconditional receipt of an exit credit and therefore there is no restriction recorded on the net asset position for the pension scheme.

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 specified/imposed a specific purpose and therefore SRUC is restricted in the use of these funds.

1. Scottish Government Grants

	2024	2023	2024	2023
	Group	Group	Company	Company
	£000	£000	£000	£000
Recurrent grant				
Research and development	6,770	6,869	6,689	6,759
Advisory	8,065	7,917	4,091	4,025
	<u>14,835</u>	<u>14,786</u>	<u>10,780</u>	<u>10,784</u>
Release from deferred capital grants				
Buildings (note 24)	606	690	606	690
Equipment (note 24)	968	1,429	968	1,429
	<u>16,409</u>	<u>16,905</u>	<u>12,354</u>	<u>12,903</u>

2. Scottish Funding Council

	2024	2023	2024	2023
	Group	Group	Company	Company
	£000	£000	£000	£000
Education teaching HE	11,610	11,596	11,610	11,596
Education provision FE	9,626	10,015	9,626	10,015
Research and innovation	6,234	5,815	6,193	5,815
Condition survey grant	727	2,102	727	2,102
	<u>28,197</u>	<u>29,528</u>	<u>28,156</u>	<u>29,528</u>
Release from deferred capital grants				
Buildings (note 24)	96	1,054	96	1,054
Equipment (note 24)	1,999	757	1,999	757
	<u>30,292</u>	<u>31,339</u>	<u>30,251</u>	<u>31,339</u>

3. Tuition Fees and Education Contracts

	2024	2023	2024	2023
	Group	Group	Company	Company
	£000	£000	£000	£000
Home and EU higher education fees	1,853	2,325	1,853	2,325
Rest of UK	399	495	399	495
Non-EU students	105	107	105	107
UK further education students	-	66	-	66
	<u>2,357</u>	<u>2,993</u>	<u>2,357</u>	<u>2,993</u>
Education contracts	3,847	4,011	3,847	4,006
Short course fees	261	459	259	456
	<u>6,465</u>	<u>7,463</u>	<u>6,463</u>	<u>7,455</u>

4. Research Grants and Contracts

	2024	2023	2024	2023
	Group	Group	Company	Company
	£000	£000	£000	£000
European Union	1,268	1,041	1,252	1,022
Research councils	1,251	996	1,251	996
UK public bodies	7,428	5,797	4,479	3,252
Other	1,490	1,509	278	350
	<u>11,437</u>	<u>9,343</u>	<u>7,260</u>	<u>5,620</u>

5. Advisory and Consultancy Contracts

	2024	2023	2024	2023
	Group	Group	Company	Company
	£000	£000	£000	£000
Consultancies and subscriptions	12,138	11,162	25	146
Analytical services	3,790	3,638	851	766
Farm accounts scheme	876	837	-	-
Publications	34	13	-	-
	<u>16,838</u>	<u>15,650</u>	<u>876</u>	<u>912</u>

6. Other Operating Income

	2024	2023	2024	2023
	Group	Group	Company	Company
	£000	£000	£000	£000
Residences, catering and conferences	1,677	1,548	1,677	1,534
Sales of farm products	5,072	5,655	-	8
Rents	396	507	275	341
Other income	2,788	2,904	1,174	1,277
	<u>9,933</u>	<u>10,614</u>	<u>3,126</u>	<u>3,160</u>

7. Investment income

	2024	2023	2024	2023
	Group	Group	Company	Company
	£000	£000	£000	£000
Investment income on endowments	131	130	131	130
Other investment income	770	246	803	246
	<u>901</u>	<u>376</u>	<u>934</u>	<u>376</u>

8. Donations and Endowments

	Group and company	
	2024	2023
	£000	£000
New endowments	7	-
	<u>7</u>	<u>-</u>

9. Staff Costs

	2024	2023	2024	2023
	Group	Group	Company	Company
	£000	£000	£000	£000
Wages and salaries	46,898	42,866	44,831	41,490
Social security costs	4,902	4,762	4,698	4,616
Other pension costs	6,121	6,640	5,849	6,417
	<u>57,921</u>	<u>54,268</u>	<u>55,378</u>	<u>52,523</u>
Severance costs	356	265	356	265
	<u>58,277</u>	<u>54,533</u>	<u>55,734</u>	<u>52,788</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.

The average monthly number of persons (including Executive Directors) employed by SRUC Group during the period was:

	2024	2023
	Number	Number
Academic teaching departments	257	257
Academic support	151	133
Research grants and contracts	235	234
Administration and central services	166	144
Premises and estates	28	23
Residencies, catering and conferences	11	11
Other including income generating operations	442	426
	<u>1,290</u>	<u>1,228</u>

The average number of employees expressed as full-time equivalents was 1,110 (2023: 1,084).

9. Staff Costs (continued)

Analysis of the above Group staff costs by activity:

	2024	2023
	£000	£000
Academic teaching departments	13,116	12,113
Academic support	4,832	4,493
Research grants and contracts	12,569	11,707
Administration and central services	7,547	7,508
Premises and estates	1,121	957
Residencies, catering and conferences	410	300
Other including income generating operations	18,326	17,190
	<u>57,921</u>	<u>54,268</u>
Severance costs	356	265
	<u>58,277</u>	<u>54,533</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 2024		Group 2023	
	Number Directors	Number Other Staff	Number Directors	Number Other Staff
£100,001 to £110,000	-	7	-	7
£110,001 to £120,000	-	1	-	-
£120,001 to £130,000	-	1	-	2
£130,001 to £140,000	-	-	-	-
£140,001 to £150,000	-	-	-	-
£150,001 to £160,000	-	1	-	2
£160,001 to £170,000	-	1	-	-
£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>11</u>	<u>1</u>	<u>11</u>

Included in the numbers of other staff is 1 staff member (2023: 1) who received severance payments.

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 12.

	2024	2023
	£000	£000
Key management personnel compensation	1,072	1,180
Number of staff	8	9

10. Directors' Remuneration

	2024	2023
The number of Executive Directors during the year including the Principal and Chief Executive	1	1

	2024	2023
	£000	£000
Salaries (including benefits in kind)	217	218
Fees (Non-Executive Directors)	162	183
Pension contributions	47	47
	426	448

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

	2024	2023
	£000	£000
Salary	207	207
Taxable benefits	10	11
Pension	47	47
	264	265

The remuneration of the Principal in the year ended 31 March 2024 was £264k (2023: £265k). This was 6.1 times (2023 – 7.7 times) the median of the total remuneration of the workforce and 5.2 times (2023 – 6.5 times) the median salary of the workforce.

A proportion of the Non-Executive Directors fees are recharged to a subsidiary undertaking, SRUC Innovation Limited (formerly SAC Commercial Limited).

11. Analysis of total operating expenditure by activity

	2024	2023	2024	2023
	Group	Group	Company	Company
	£000	£000	£000	£000
Academic departments	24,539	22,529	19,878	18,277
Research grants and contracts	17,507	16,803	15,023	15,803
Administration and central services	14,858	13,576	10,266	11,105
Premises and estates	8,656	8,635	6,701	7,883
Residencies, catering and conferences	5,777	5,667	5,317	5,207
Other including income generating operations	27,049	25,015	9,597	3,343
Depreciation, amortisation and impairment	7,630	6,536	7,354	6,282
Release of negative goodwill	(3,069)	(1,308)	(3,069)	(1,308)
Interest	230	465	223	465
	<u>103,177</u>	<u>97,918</u>	<u>71,290</u>	<u>67,057</u>

Other operating expenditure includes:

	Group and company	
	2024	2023
	£000	£000
Operating lease rentals	1,217	1,178
Depreciation	5,304	5,085
Amortisation	349	288
Impairment	1,977	1,163
Release of negative goodwill	(3,069)	(1,308)
Fees charged by external auditor:		
SRUC and subsidiary companies		
Audit fee for the company	92	89
Audit-related assurance services	2	2
Other compliance work	-	-
Fees charged by internal auditor:		
Internal audit services	<u>73</u>	<u>55</u>

12. Interest and other finance costs

	2024	2023	2024	2023
	Group	Group	Company	Company
	£000	£000	£000	£000
Loan interest	102	42	102	42
Finance leases	7	-	-	-
Net interest charge – pension schemes	121	423	121	423
	<u>230</u>	<u>465</u>	<u>223</u>	<u>465</u>

13. Gain on disposal of fixed assets

	Group and Company			
	Proceeds	Net book value	2024	2023
			Gain on disposal	Gain on disposal
£000	£000	£000	£000	
Land and buildings	8,942	127	8,815	196
Equipment	58	-	58	-
Company	<u>9,000</u>	<u>127</u>	<u>8,873</u>	<u>196</u>
Vehicles	4	-	4	-
Group	<u>9,004</u>	<u>127</u>	<u>8,877</u>	<u>196</u>

Included in the disposal proceeds in the year to 31 March 2024 is compensation that SRUC received from a Land tribunal hearing.

14. Intangible Fixed Assets

	Group
	Software
	£000
Cost or fair value:	
1 April 2023	5,449
Additions	817
31 March 2024	<u>6,266</u>
Depreciation:	
1 April 2023	2,749
Charge for year	349
31 March 2024	<u>3,098</u>
Net Book Value:	
31 March 2024	<u>3,168</u>
1 April 2023	<u>2,700</u>

Included in intangible fixed assets is software under development of £604k (2023: £418k).

14. Intangible Fixed Assets (continued)

	Company Software £000
Cost or fair value:	
1 April 2023	4,854
Additions	816
31 March 2024	<u>5,670</u>
Depreciation:	
1 April 2023	2,749
Charge for year	290
31 March 2024	<u>3,039</u>
Net Book Value:	
31 March 2024	<u>2,631</u>
1 April 2023	<u>2,105</u>

15. Negative Goodwill

	Group and company	
	2024	2023
	£000	£000
At 1 April 2023	(27,700)	(29,008)
Release of negative goodwill to income statement	3,069	1,308
At 31 March 2024	<u>(24,631)</u>	<u>(27,700)</u>

16. 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 2023	111,296	5,037	30,806	2,393	149,532
Additions	10,736	-	1,501	400	12,637
Disposals	(9,313)	-	(143)	(6)	(9,462)
31 March 2024	<u>112,719</u>	<u>5,037</u>	<u>32,164</u>	<u>2,787</u>	<u>152,707</u>
Depreciation:					
1 April 2023	46,679	1,632	24,176	1,567	74,054
Charge for year	2,682	136	2,253	233	5,304
Disposals	(9,186)	-	(142)	(6)	(9,334)
Impairment	1,975	-	2	-	1,977
31 March 2024	<u>42,150</u>	<u>1,768</u>	<u>26,289</u>	<u>1,794</u>	<u>72,001</u>
Net Book Value:					
31 March 2024	<u>70,569</u>	<u>3,269</u>	<u>5,875</u>	<u>993</u>	<u>80,706</u>
1 April 2023	<u>64,617</u>	<u>3,405</u>	<u>6,630</u>	<u>826</u>	<u>75,478</u>

In the year, a detailed review of buildings was performed which identified certain assets nearing the end of their useful life. The assets were impaired and the charge to the income and expenditure account of £2m was matched by a release of negative goodwill of £1.9m.

Included in freehold land and buildings is land of £14.0m (2023: £14.3m) which is not depreciated.

Included in freehold land and buildings are assets under construction amounting to £5.4m (2023: £6.3m) which are not depreciated.

17. Investments

<u>Listed investments</u>	Group	Group	Company	Company
	2024	2023	2024	2023
	£000	£000	£000	£000
At 1 April 2023	190	202	190	202
Movement on valuation	-	(12)	-	(12)
At 31 March 2024	<u>190</u>	<u>190</u>	<u>190</u>	<u>190</u>
Investments in associates				
At 1 April 2023	14	14	-	-
Additions	-	-	-	-
At 31 March 2024	<u>14</u>	<u>14</u>	<u>-</u>	<u>-</u>
<u>Endowment investments</u>				
At 1 April 2023	5,551	5,772	5,551	5,772
Donations	7	-	7	-
Income	131	130	131	130
Disbursements	(90)	(53)	(90)	(53)
Appreciation/(Depreciation) of asset investments	277	(298)	277	(298)
At 31 March 2024	<u>5,876</u>	<u>5,551</u>	<u>5,876</u>	<u>5,551</u>
Total investments	<u>6,080</u>	<u>5,755</u>	<u>6,066</u>	<u>5,741</u>

18. Stocks

	Group and company	
	2024	2023
	£000	£000
Farm stocks	3,531	3,720
Goods for resale	-	7
	<u>3,531</u>	<u>3,727</u>

19. Debtors

	Group	Group	Company	Company
	2024	2023	2024	2023
	£000	£000	£000	£000
Trade receivables	5,426	5,758	1,632	1,525
Prepayments and Accrued income	6,470	10,576	5,868	9,938
Other debtors	2,181	1,222	2,141	1,208
Amounts recoverable on contracts	6,798	6,485	4,487	4,607
Amounts due from fellow Group Companies	-	-	4,889	4,497
	<u>20,875</u>	<u>24,041</u>	<u>19,017</u>	<u>21,775</u>

20. Current asset investments

	Group and company	
	2024	2023
	£000	£000
Cash held on short term deposits	5,202	2,030
	<u>5,202</u>	<u>2,030</u>

21. Creditors: amounts falling due within one year

	Group		Company	
	2024	2023	2024	2023
	£000	£000	£000	£000
Trade creditors	5,726	4,815	4,524	3,704
Other taxation and social security	2,133	2,210	2,094	2,180
Other creditors	467	971	462	960
Accruals	8,454	7,320	7,871	6,803
Payment received in advance	7,881	8,691	4,850	5,731
Concessionary Loans (note 23)	1,651	1,651	1,651	1,651
Finance leases (note 29)	43	-	43	-
Deferred capital grant (note 24)	2,628	3,078	2,628	3,078
	<u>28,983</u>	<u>28,736</u>	<u>24,123</u>	<u>24,107</u>

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

	Group and company	
	2024	2023
	£000	£000
Deferred capital grants (note 24)	30,004	28,828
Concessionary Loans (note 23)	21,300	22,970
Finance leases (note 29)	136	-
	<u>51,440</u>	<u>51,798</u>

23. Loans

	Group and company	
	2024	2023
	£000	£000
Due within one year (note 21)	1,651	1,651
Due between one and two years	1,651	1,651
Due between two and five years	4,952	4,951
Due in five years and more	14,697	16,368
Due after more than one year (note 22)	21,300	22,970
Total loans	22,951	24,621

The loans not wholly repayable within five years are loans from The Scottish Funding Council under the University Financial Transactions Funding arrangements. The following are unsecured and carry an interest rate of 0.25% per annum. £2,600k is repayable over equal annual instalments until 31 March 2029, £1,548k is repayable over equal annual instalments until 31 March 2040, £3,570k is repayable over equal annual instalments until 31 March 2041, and £7,200k is repayable over equal annual instalments until 31 March 2042. A further unsecured loan of £8,033k with an interest rate of 1.00% is repayable over equal instalments until 31 March 2043.

The loans are below market rate but under the provisions of FRS 102.34 in relation to Public Benefit Entities, they are treated as concessionary and recorded at cost.

24. Deferred Capital Grants

	£000	Group and company		£000
		£000	£000	
	1 April 2023	Receivable	Released to SOCI (Notes 1 and 2)	31 March 2024
Buildings	20,418	4,319	(702)	24,035
Equipment	11,488	76	(2,967)	8,597
	31,906	4,395	(3,669)	32,632
Disclosed as:			2024	2023
			£000	£000
Creditors due within one year			2,628	3,078
Creditors due in more than one year			30,004	28,828
			32,632	31,906

24. Deferred Capital Grants (continued)

Deferred capital grants receivable in the year are as follows:

	Total
	£000
Scottish Funding Council	76
Scottish Government	3,374
UK Government	945
	<u>4,395</u>

25. Provision for Liabilities

	Group and company	
	2024	2023
	£000	£000
Unfunded pension liability		
At 1 April 2023	656	781
Paid in the year	(69)	(65)
Transfer to the income statement	29	(60)
At 31 March 2024	<u>616</u>	<u>656</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 2024 by Hymans Robertson LLP, an independent actuarial firm.

26. Financial Instruments

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

	Note	2024	2023	2024	2023
		£000	£000	£000	£000
Fair value losses/(gains) on financial assets measured at fair value through income and expenditure	17	277	(310)	277	(310)
		<u>277</u>	<u>(310)</u>	<u>277</u>	<u>(310)</u>

A total of £6.1m of investments (2023: £5.8m) were measured at fair value through the Statement of Comprehensive income.

27. Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Group and company			
	Restricted Permanent	Restricted Expendable	Unrestricted	Total
	£000	£000	£000	£000
At 1 April 2023	4,821	264	466	5,551
Capital				
New endowments	-	-	7	7
Investment income	114	6	11	131
Expenditure	(78)	(4)	(8)	(90)
Increase in market value	241	13	23	277
Total comprehensive income for the year	277	15	33	325
At 31 March 2024	<u>5,098</u>	<u>279</u>	<u>499</u>	<u>5,876</u>
Analysis by asset:			2024	2023
			£000	£000
Investments			5,426	5,149
Cash and cash equivalents			450	402
			<u>5,876</u>	<u>5,551</u>

28. Cash generated from operations

	2024	2023
	£000	£000
Operating deficit	(1,741)	(6,342)
Adjusted for:		
Gain on disposal of fixed assets	(8,877)	(196)
Unrealised movements on investments	(277)	310
Pension costs less contributions payable	(1,947)	(1,255)
Depreciation and amortisation	5,654	5,373
Impairment	1,976	1,163
Goodwill release	(3,069)	(1,308)
Deferred capital grant release	(3,669)	(3,930)
Interest received	(901)	(376)
Endowment income	(48)	(78)
Interest paid	230	465
Movements in working capital:		
Decrease/(increase) in stock	196	(373)
Increase in debtors	(615)	(4,720)
Increase in creditors	961	1,380
Net cash absorbed by operating activities	<u>(12,127)</u>	<u>(9,887)</u>

29. Obligations Under Leases and Hire Purchase Contracts

As at 31 March 2024, the group had outstanding commitments for future minimum lease payments under finance leases, as follows:

	Group and company	
	2024	2023
	£000	£000
Within one year (note 21)	43	-
In two to five years (note 22)	136	-
	<u>179</u>	<u>-</u>

As at 31 March 2024, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as follows:

	Land and Buildings		Equipment	
	2024	2023	2024	2023
	£000	£000	£000	£000
Within one year	745	631	79	41
In two to five years	987	1,934	193	14
In over five years	107	463	-	-
	<u>1,839</u>	<u>3,028</u>	<u>272</u>	<u>55</u>

30. 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 assets/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 £4,511k (2023: £4,017k).

30. 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.

30. 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.

30. 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 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 £1,146k 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 2024. 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 obligations	2024	2023
Price inflation (RPI)	3.10%	3.20%
Price inflation (CPI)	2.75%	2.85%
Rate of pension increase (RPI capped at 5%)	2.95%	3.10%
Rate of pension increase (RPI capped at 2.5%)	2.00%	2.20%
Rate of pension increase (CPI capped at 2.5%)	1.90%	2.05%
Rate of salary increase	3.10%	3.20%
Discount rate	4.85%	4.75%

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.

	2024	2023
Member Age 65 future life expectancy – male	22.2	22.1
Member Age 65 future life expectancy – female	23.5	23.3
Member Age 45 future life expectancy at age 65–male	23.8	23.6
Member Age 45 future life expectancy at age 65 – female	26.6	26.8

30. c) The Citrus Pension Plan (continued)

The assets and liabilities of the scheme at 31 March 2024 are:

Assets	Fair value at 2024	Fair value at 2023
Scheme assets at fair value	£000	£000
Equities	5,217	2,429
Liability-driven investments	10,079	10,550
Cash	2,964	1,557
Absolute bond return	3,901	3,168
Asset backed securities	4,265	3,551
Private lending/debt	2,780	3,051
Synthetic credit	2,849	2,692
Infrastructure	3,348	4,843
Insurance linked securities	2,701	2,723
Total	38,104	34,564
Present value of scheme liabilities	(41,301)	(40,552)
Deficit in the scheme- net pension liability	(3,197)	(5,988)

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.

	2024	2023
	£000	£000
Base case	41,301	40,552
-0.5% decrease in real discount rate	45,141	44,527
1 year increase in member life expectancy	42,953	42,175
+0.5% change in salary increases	41,768	41,042
+0.5% change in inflation	43,356	42,927

30. c) The Citrus Pension Plan (continued)

	2024	2023
	£000	£000
Analysis of the amount charged to operating expenditure		
Current service cost	1,027	1,604
Past service cost	-	-
Administration costs	74	88
	<u>1,101</u>	<u>1,692</u>
Analysis of the amount charge to other finance costs		
Interest income on Plan assets	1,696	1,215
Interest charge on Plan liabilities	(1,914)	(1,587)
Net charge to other finance costs	<u>(218)</u>	<u>(372)</u>
Analysis of amount recognised in Other Comprehensive Income (OCI)		
Actual return on assets excluding amounts included in net interest	(305)	(11,888)
Actuarial gains on plan obligations	1,625	20,000
Re-measurement gain recognised in OCI	<u>1,320</u>	<u>8,112</u>
Analysis of movement in the deficit		
Deficit at 1 April 2023	(5,988)	(15,009)
Contributions paid by the College	2,790	2,973
Current service cost	(1,027)	(1,604)
Administration cost	(74)	(88)
Past service cost	-	-
Other finance charge	(218)	(372)
Gain recognised in comprehensive income	1,320	8,112
	<u>(3,197)</u>	<u>(5,988)</u>
Deficit at 31 March 2024	<u><u>(3,197)</u></u>	<u><u>(5,988)</u></u>

30. c) The Citrus Pension Plan (continued)

	2024	2023
	£000	£000
Change in benefit obligation		
Opening defined benefit obligation	40,552	57,944
Current service cost	1,027	1,604
Past service cost	-	-
Administration cost	74	88
Interest cost	1,914	1,587
Scheme participants' contributions	14	17
Actuarial gains	(1,625)	(20,000)
Benefits paid	(655)	(688)
Benefit obligation as at 31 March	<u>41,301</u>	<u>40,552</u>
Change in scheme assets		
Opening fair value of scheme assets	34,564	42,935
Interest income	1,696	1,215
Member contributions	14	17
Employer contributions	2,790	2,973
Actual return on assets	(305)	(11,888)
Benefits paid	(655)	(688)
Fair value of scheme assets as at 31 March	<u>38,104</u>	<u>34,564</u>
Net amount recognised	<u>(3,197)</u>	<u>(5,988)</u>

30. 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 2023 and updated by Hymans Robertson in order to assess the assets and liabilities of the scheme at 31 March 2024. 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 2023. The employers' contribution rate is 20.2%.

30. d) The Local Government Pension Schemes (continued)

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 2023. 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 2023. The employers' contribution rate is 42.5%. An additional payment of £200k (2023: £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	2024	2023
Price inflation (RPI)	3.20%	3.20%
Price inflation (CPI)	2.80%	2.85%
Rate of pension increase (CPI)	2.80%	2.95%
Discount rate	4.80%	4.75%
Rate of salary increase	3.30%	3.45%

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.

	2024	2023
	Years	Years
Male Member Age 65 (life expectancy at age 65)	19.3 – 19.7	19.9 – 20.4
Male Member Age 45 (life expectancy at age 65)	21.4 – 21.9	22.9 – 23.1
Female Member Age 65 (life expectancy at age 65)	23.0 – 24.4	21.1 – 21.4
Female Member Age 45 (life expectancy at age 65)	25.0 – 25.3	24.7 – 24.9

30. d) The Local Government Pension Schemes (continued)

The assets and liabilities of the three schemes at 31 March 2024 are:

	2024	2023
Assets	£000	£000
Scheme assets at fair value		
Equities	19,883	20,338
Corporate Bonds	13,130	11,418
Property	3,376	2,854
Cash	1,125	1,070
Total	<u>37,514</u>	<u>35,680</u>
Present value of scheme liabilities	(28,873)	(27,041)
Asset in the scheme	<u>8,641</u>	<u>8,639</u>
Asset not recognised due to asset ceiling	-	(6,135)
Total asset recognised	<u><u>8,641</u></u>	<u><u>2,504</u></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.

	2024		2023	
	Approximate increase in scheme liabilities	Monetary impact £000	Approximate increase in scheme liabilities	Monetary impact £000
	%			%
0.1% decrease in real discount rate	1.65	486	1.82	493
0.1% increase in the salary increase rate	0.09	26	0.14	37
0.1% increase in the pension increase rate	1.59	469	1.72	464

30. d) The Local Government Pension Schemes (continued)

	2024	2023
	£000	£000
Analysis of the amount charged to operating expenditure		
Current service cost	340	660
Past service cost	7	-
Total charged to operating expenditure	<u>347</u>	<u>660</u>
Analysis of the amount charge to other finance costs		
Interest income on Plan assets	1,688	1,020
Interest charge on Plan liabilities	(1,270)	(1,071)
Impact of asset ceiling on net interest	(320)	-
Net income/(charge) to other finance costs	<u>98</u>	<u>(51)</u>
Analysis of amount recognised in Other Comprehensive Income (OCI)		
Actual return on assets excluding amounts included in net interest	511	(3,041)
Other experience	(2,403)	-
Actuarial gains on plan obligations	1,218	12,915
Movement in unrecognised plan surplus	6,456	(6,135)
Re-measurement gain recognised in OCI	<u>5,782</u>	<u>3,739</u>
	2024	2023
	£000	£000
Analysis of movement in the asset/ (deficit)		
Asset/(deficit) at 1 April	2,504	(1,158)
Contributions paid by the College	604	634
Current service cost	(340)	(660)
Past service cost	(7)	-
Other finance charge	98	(51)
Gain recognised in comprehensive income	5,782	3,739
Asset at 31 March	<u>8,641</u>	<u>2,504</u>
Change in benefit obligation		
Opening defined benefit obligation	27,041	39,072
Current service cost	340	660
Past service cost	7	-
Interest cost	1,270	1,071
Scheme participants' contributions	82	90
Actuarial losses/(gains)	1,302	(12,915)
Benefits paid	(1,169)	(937)
Benefit obligation as at 31 March	<u>28,873</u>	<u>27,041</u>

30. d) The Local Government Pension Schemes (continued)

	2024	2023
	£000	£000
Change in scheme assets		
Opening fair value of scheme assets	35,680	37,914
Interest income	1,688	1,020
Member contributions	82	90
Employer contributions	604	634
Actual return on assets	511	(3,041)
Other experiences	118	-
Benefits paid	(1,169)	(937)
Fair value of scheme assets as at 31 March before net asset restriction	<u>37,514</u>	<u>35,680</u>
Restriction on net assets	-	(6,135)
Fair value of scheme assets as at 31 March	<u><u>37,514</u></u>	<u><u>29,545</u></u>

Summary of FRS 102 net Pension asset / (liabilities)

	2024	2023
	£000	£000
Citrus Pension Plan	(3,197)	(5,988)
Local Government Pension Funds	<u>8,641</u>	<u>2,504</u>
Total net pension asset/ (liability)	<u><u>5,444</u></u>	<u><u>(3,484)</u></u>

30. 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 26% for employer and range from 7.2% - 11.9% for employees.

31. 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
SRUC Innovation Limited (formerly SAC Commercial Limited)	Commercial consultancy, research and trading
Equestrian Facilities Scotland Limited	Dormant throughout the year
The SAC Foundation	Charitable Trust
Agrecalc Limited	Business and domestic software development

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

During the year, the group reduced its holding in Agrecalc by 47% through the introduction of employee participation arrangements. The retained shareholding of 53% provides control and the results are incorporated into those of the Group for the year with the amounts attributable to the 47% non controlling interest recorded separately on the Statement of Financial Position.

SAC Foundation is not a going concern; the entity has been dissolved in July 2024.

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

32. 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 in using the equity accounting method of accounting on the basis of immateriality. As at its reporting date, 31 October 2023, ID Mapps Ltd had gross assets of £73,109 (At 31 October 2022: £96,193) and net liabilities of £83,862 (At 31 October 2022: £71,526).

The loss recorded for the year ended 31 October 2023 was £12,336 (at 31 October 2022: loss of £13,610). If the equity method were applied the impact of the results would be a loss of £5,625 (at 31 October 2022: loss of £6,206) and capital and reserves of £(38,241) (as at 31 October 2022: (£32,616)).

SRUC holds a 20% 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.

32. Investments in associates (continued)

At the reporting date 31 December 2023, MI:RNA LTD had gross assets of £165,220 (at 31 December 2022: assets of £179,487) and net liabilities of £97,716 (at 31 December 2022: assets of £136,847). The loss recorded for the year to 31 December 2023 was £466,991 (31 December 2022: loss of £231,297). The company allotted shares during the year, resulting in increase of its reserves by £232,428. If the equity method were applied the impact of the results would be a loss of £93,398 (31 December 2022: loss of £46,259) and capital and reserves of (£19,543) (31 December 2022: £27,369).

33. Bursary and Other Student Support Funds

				2024	2023
	Bursary	Hardship	EMA's	Total	Total
	£000	£000	£000	£000	£000
1 April 2023	15	227	(1)	241	513
Received during the year	2,313	311	60	2,684	2,861
Refunded to SFC	(620)	-	-	(620)	(695)
Expenditure	(2,425)	(264)	(53)	(2,742)	(2,438)
31 March 2024	<u>(717)</u>	<u>274</u>	<u>6</u>	<u>(437)</u>	<u>241</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.

34. Childcare Funds

	2024	2023
	£000	£000
1 April 2023	79	23
Received in year	87	89
Refunded to SFC	-	(18)
Expenditure	(22)	(15)
31 March 2024	<u>144</u>	<u>79</u>

35. 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 SRUC Innovation Ltd (formerly SAC Commercial Ltd, SRUC Innovation Ltd thereof), wholly owned subsidiary of SRUC, provided services of £NIL (2023: £49k) to ID Mapps Ltd, the associate company under a subcontract agreement. At the year end, ID Mapps Ltd owed £70k (2023: £70k) to SRUC Innovation Ltd.

During the year, the group entered into transactions with its subsidiary, Agrecalc Ltd, which is not wholly owned. SRUC Innovation Ltd received services totaling £101k from Agrecalc Ltd and provided services totaling £40k to Agrecalc Ltd during the year. At 31 March 2024, balance of £12k (2023: £NIL) is included in trade debtors, and £8.6k (2023:£NIL) is included in trade creditors of SRUC Innovation Ltd relating to Agrecalc Ltd.

During the year SRUC Innovation Ltd provided loan of £600k (2023: £250k) to Agrecalc Ltd. At the year end, the outstanding balance of the loan is £894k (2023: £250k). Doubtful debt provision of £362k has been recognised in respect of the loan balance during the year, due to decline of Agrecalc Ltd forecast performance.

No other material related party transactions have taken place.

36. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £1,692k (2023: £6,029k).

37. Subsequent events

The Local Government Pension Scheme (Scotland) (Amendment) (No. 2) Regulations 2024 were enacted on 29 June 2024 which removed the unconditional right to an exit credit from the underlying Regulations. As such the net pension asset recognised on the LGPS schemes will subsequently be restricted to the amount available for reductions in future contributions.

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Chief Executive and Principal	Professor Wayne Powell
Company Secretary	Devon Taylor
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Solicitors	Morton Fraser MacRoberts LLP Quartermile Two 2 Lister Square Edinburgh EH3 9GL
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