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The Scottish Association for Marine Science

(A Scottish Charitable Company Limited by Guarantee, not having a share capital)

Directors’ Report and Group Financial Statements

For the year ended 31 March 2015

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# Company Information

# Directors

 Professor Geoffrey Boulton President

 G C McAllister Resigned 14 November 2014

 Dr C J Phillips Resigned 14 November 2014

 Professor M Bownes Chair of Education Committee to Nov 14

 Resigned 14 November 2014

 Professor D Paterson Resigned 14 November 2014

 Professor P H Burkill

 M Gibson Chair of Board to Nov 14

 Resigned 14 November 2014

 R Ferrier

 K Rundle

 S G Cannon

 Professor L E Fleming Resigned 14 November 2014

 Professor I G Priede Chair of Research Committee

 Commodore A A Ross Chair of Audit Committee to Nov 14

 Chair of Board from Nov 14

 M A Jeffcoat Chair of Audit Committee

 Appointed 14 November 2014

 M T S Batho Chair of Education Committee

 Appointed 14 November 2014

 A W Tudhope Appointed 14 November 2014

 J E Francis Appointed 14 November 2014

 M Chierici Appointed 5 January 2015

**Secretary** EB Walton

**Auditors** Johnston Carmichael LLP

 Clava House

 Cradlehall Business Park

 Inverness

 IV2 5GH

**Bankers** Bank of Scotland

 Station Road

 Oban

 PA34 4LL

# Registered Office Scottish Marine Institute

 Oban

Argyll

PA37 1QA

# Council Report (incorporating the Strategic Report)

The Council, who are also Directors of the Charity for the purposes of the Companies Act, for The Scottish Association for Marine Science (SAMS), presents their report and the group financial statements for the year ended 31 March 2015.

SAMS is a company limited by guarantee governed by its Memorandum and Articles of Association. It is registered as a charity with the Office of the Scottish Charity Regulator. The liability of the members is limited to a maximum of £1 each.

SAMS is not permitted by its Memorandum of Association to become a trade union or to distribute profits to its members.

SAMS has wholly owned active subsidiary companies: SAMS Research Services Ltd (SRSL) and SAMS Limited.

SAMS is a founding partner of the University of the Highlands and Islands, an Associated Institution of the United Nations University, a NOC Delivery Partner, and a partner in the Marine Alliance for Science and Technology for Scotland.

# Strategic Report

## Achievements and Performance

SAMS prepares an annual report that is made publicly available through the website. This report provides a detailed review and information covering the current and future activities of all areas of the organisation. Below are some of the highlights of the year showcasing the continued excellence of our science and education.

* Professor Laurence Mee the Director of SAMS passed away in August 2014 after suffering a severe stroke while on SAMS business at UHI. In his memory SAMS has established the Laurence Mee Centre for Society and the Sea, referred to below. In the interregnum until a new Director (Professor Nick Owens) was appointed on 1 Sep 2015, Professor Axel Miller performed the role of Acting Director with aplomb.
* Professor Stuart Cunningham, principal investigator in physical oceanography, has won this year’s Society for Underwater Technology (SUT) Oceanography Award. Each year, SUT honours those who have made exceptional contributions to underwater technology and Professor Cunningham has been awarded the Oceanography Award for his “major and outstanding contribution to operational oceanography”.
* The president of SAMS, Professor Geoffrey Boulton, has been awarded a Polar Medal for his lifetime’s work developing and promoting glaciology. Approved by the HM the Queen, the Royal Geographical Society’s royal medal is among the highest awards of its kind in the world; presented annually in recognition of excellence and outstanding achievements in geographical research and fieldwork, teaching and public engagement.
* SAMS and *MARA Seaweed* of Edinburgh have won an award recognising successful collaborations between businesses and Scottish research institutions. Working in partnership with SAMS and *Otter Ferry Seafish Ltd*, *MARA Seaweed* has developed commercially viable tank-based seaweed cultivation. Referred to as 'the superfood of the sea', it is the most highly mineralized vegetable on earth. Seasoning derived from seaweed is being used increasingly by innovative chefs as a seasoning alternative to salt.
* In what may be a UK first, a team of marine scientists from SAMS simultaneously operated flying and diving robots to observe the same area of sea surface in Ardmucknish Bay, near Oban, from above and below the waves. The joint mission saw a Remotely Piloted Aircraft and an Autonomous Underwater Vehicle record data along a 500 m long ocean transect.
* SAMS launched a new research centre to improve understanding of how society interacts with the marine environment, and so improve how marine and coastal areas are managed and governed. The mission of the ‘Laurence Mee Centre for Society and the Sea’ is to connect communities, values, policy and places to bring long-term, sustainable benefits to communities. The centre was named after the late Professor Laurence Mee, former director of SAMS and the UK's first professor of marine and coastal policy, who died in August 2014.
* SAMS education team were extremely successful in winning funding European ‘Erasmus’ funding for a Joint International Masters Degree: ‘AquaCulture, Environment and Society’ (ACES). Over four years there will be 40 fully-funded scholarships (two per any nation state), requiring students to study in Crete, France and at SAMS.

## Financial Review

The Association made a significant deficit in 14/15 which resulted in a restructuring programme to concentrate resource on current science and reducing overheads where possible. As the action was notified in the financial year, the accounts include one-off costs of restructuring the organisation of £285k, although some of this was mitigated by a one-off payment relating to the terms of the NERC-SAMS agreement on secondment of staff. Charity accounting for capital grants dictates that the full amount of any such funding should be recognised in the year in which it is received rather than deferred to fund the depreciation over the life of the asset. This creates a situation where net incoming resources are inflated in the year of receipt but future years’ depreciation expense is unmatched. The table below shows the reconciliation from the operating deficit to the deficit of £1,092k (2013/14 – surplus of £26k) transferred to reserves.

Financial Summary **2014/15** 2013/14 Change

 **£000** £000 %

Summary

Operating Income excluding capital grants 9,908 10,468 -5.3%

Operating Expenditure excluding grant funded depreciation (11,225) (10,464) 7.3%

Operating (Deficit)/Surplus before exceptional Item (1,317) 4

Exceptional in year income/exchange rate loss 572 (94) -

Capital Grants received 636 807 -21.2%

Depreciation funded by grants received in previous years (983) (691) 42.3%

(Deficit)/Surplus transferred to reserves (1,092) 26

With continued competition from within the sector, the Government’s flat cash budget settlement for research and continued increases in the cost of employing staff resources have resulted in the operating deficit this financial year.

## Total income over five years

## Research grants and contracts

Income from research grants and contracts has fallen again this year by 4% after a 3% decrease in 2013/14. A decrease in our level of funding from the Natural Environment Research Council (NERC) of 5% saw us return to similar levels to 2012/13. After a significant decrease in funding received from the EU (46%) in 2013/14 there has been a small increase of 6% in 2014/15 as the new rounds of funding get underway. After successfully diversifying our sources of research income over the 2 years; 2014/15 saw a 17% reduction from non NERC and EU funds. The increase for Research Excellent (RAE) and Knowledge Transfer (KT) relates entirely to the new classification of the KT grant as research income.

Financial Summary **2014/15** 2013/14 Change

 **£000** £000 %

Research Income

NERC (including National Capability) 2,949 3,092 -4.6%

EU 920 870 5.7%

Other 1,726 2,081 -17.1%

RAE 1,080 894 20.8%

Total research income 6,675 6,937 -3.8%

Other Research income represents £718k of Government Commissions and 1,008k from sources such as Marine Alliance for Science and Technology for Scotland (MASTS), Norwegian Research Council, US Office of Naval Research and knowledge transfer initiatives through Technology Strategy Board (TSB) and Genomia.

However, research income rarely provides full cost recovery for overheads and therefore there is a gap, typically 20-35%, in funding our research infrastructure costs which has to be bridged by other income sources, including the Research Excellence Grant received through UHI.

The 2014 Research Excellence Framework (REF) took place in 2014/15 and we did exceptionally well with an anticipated increase in REG (Research Excellence Grant) income of c£400k per annum (a “stellar performance” to quote Universities Scotland). However after the event the Scottish Funding Council “redistributed” the funds from SAMS and others who had performed particularly strongly to protect larger universities who lost a significant element of their income as a result of performing less well in the REF assessment. This funding will now ramp up to the full amount that was expected over a 2 year period.

Given the current and likely future funding climate for research in the UK and Europe, SAMS will need to ensure it continues to devote appropriate resources to attracting funding along with improved project management to ensure a sustainable operating model and maintain SAMS’ reputation for science excellence.

## Education

As an Academic Partner of the University of the Highlands and Islands, we deliver both undergraduate and postgraduate education. These activities now represent 10% of our total income, up from just 5% in 2009/10.

Income from undergraduate courses has increased by 15% in 2014/15 and recruitment remains strong. In terms of PhD studentships, funding and recruitment are becoming increasingly difficult. Despite this, numbers remain relatively stable with the differences in the timing of new starts and reporting of income between research and education creating the fluctuations within years. These two areas still represent 70% of all education income.

Income from the Masters courses remain stable. Other education activities, such as field courses and short CPD courses, have decreased in 2014/15 as we re-focus on our main education programmes.

## Commercial activities

SAMS Research Services Ltd (SRSL), our subsidiary enterprise, strives to enhance SAMS’ international reputation for science consultancy and fund the gap in science funding from other sources. The percentage of total income generated by commercial activities is 17%. Whilst these activities continue to be recognised as an integral and important part of the SAMS portfolio of activities, growth is currently difficult given the operating climate and challenges in optimising the business model.

## Effective Management of Resources

Staff costs remain the highest proportion of expenditure representing 62% of operation costs and 69% of operational income. These rose by 4% in the year largely as a result of incremental progressions and a 2% cost of living increase.

Other operating costs increased by 11%. These are largely as a result of legal fees of £95k in pursuing a claim for water ingress into the main SAMS building. The total amount of the claim is expected to be in the region £700k. Increased costs for the operation of the trading subsidiary of £140k; and the cost of implementing job evaluation £68k, which is now complete.

## Capital Investment

In 2014/15 we have continued to attract and secure funds for capital investment. This has allowed much needed investment in IT, research equipment and our buildings. Whilst this funding came largely from the UK Research Councils through competitively won grants we also received an allocation of research capital funding from the Department of Business, Innovation and Skills via UHI. However, the difficult economic climate means that we are entirely reliant on external funding for investment. This is not ideal as continued investment in our infrastructure and facilities is crucial for the long term sustainability of SAMS.

## Plans for Future Periods

Within Education, there are plans to increase the Masters degrees offering such as the Oil and Gas Innovation Centre masters (O&GIC MSc) and the Industrial Biotechnology Innovation Centre Masters (IBioIC MSc). We are actively exploring opportunities for collaborating at undergraduate level with the University Tianjin in China.

SAMS’ scientists continue to develop collaborations and research ideas to take advantage of the new EU Research and Innovation Programme, Horizon 2020. This seven year programme (2014-2020) has funding available of nearly 80 billion euros.

A range of opportunities for funding continue to be explored.

In the commercial arena we are currently exploring global opportunities.

## Principal Risks and Uncertainties

The most significant risks facing us over the next 12 to 18 months result from the factors which directly threaten the success of our strategic objectives and they are subject to continuous management attention.

* Risk of failure to meet research, education and commercial performance targets

To mitigate against this we continue to align our research strengths and strategies with the expectations of the funding bodies and commercial enterprises and expand both undergraduate and postgraduate education provision through strategic alliances with higher education institutions.

* Risk of failure to deliver a sustainable, effective and efficient operating model

To mitigate we have undertaken a restructuring of the organsiation, we continue to implement prioritisation of expenditure across all areas, applying project management principles and strong financial management.

SAMS has an established risk management strategy which comprises:

* the Council (the ultimate Governing Body) reviews risks which the charity may face by
* an established system and procedures to mitigate those risks identified in the plan; and
* the implementation of procedures designed to minimise any potential impact on the charity should any of those risks materialise

The Risk Register is owned by the Executive Group which reports to Council through the Board and relevant sub Committees on a quarterly basis.

## Reserves policy

The primary aim of the reserves policy is to ensure that SAMS hold adequate funds to maintain the longer term sustainability of the marine science research undertaken by our scientists and to manage short term volatility in income or liquidity. The policy is designed to ensure that the Association can:

* Continue to meet its on-going financial commitments within agreed terms of credit
* Deploy the required funds promptly in a planned way to react to new opportunities and strategic decisions undertaken by the Associations’ Executive Group.
* Ensure that the Association is not forced into short term decisions that might impact on its longer term vision and strategy because of any short term setback, whether operational or in key sources of income

The policy aims for the Association to hold, in future, in general unrestricted reserves a minimum of 3 months annualised expenditure in order to provide adequate working capital levels for the continued operation of the Association and completion of existing projects.

The accumulated reserves and available funds will be applied towards the objectives of the Association. The Trustees accept that this may involve the use of funds in excess of the income generated in one year while in other years the cycle of the Associations activities does not allow the distribution of all funding received (particularly in respect of capital grants).

A designated fund for fixed assets reflects the need to demonstrate the level of funds required to provide the assets necessary for delivering marine science research. Unrestricted undesignated funds reflect the amount of reserves freely available to spend on any of the charity’s purposes, including those stated above. Whilst the total of unrestricted funds is positive, the undesignated element is negative following the creation of the designated fixed asset fund. This exists because of the loan obtained to complete the main research building at the Dunstaffnage site. SAMS will aim to achieve the policy aims stated above but in reality the existence of the long term loan will make their achievement also long term in nature. SAMS is satisfied that this does not affect the sustainability of the Group. It is our intention to review the required level of designated funds over the current financial year in order to move towards compliance with the policy aim of a minimum of 3 months annualised expenditure.

## Investment policy and performance

The Council has considered the most appropriate policy for investing funds and has found that short to medium term investment of funds should be held in a mixture of current and investment accounts to optimise interest earned.

# Directors’ Report

## The Council

The members of the Council, who act as trustees and directors, are all guarantors of the company, of an amount not exceeding £1, during the period of their appointment as Council members and for a year after resignation. The Council is appointed in accordance with the Memorandum and Articles of Association, which allows trustees to serve a maximum of two consecutive 3-year terms.

The members of the Governing Council during the year are listed on page 3 with the resignations being for those members retiring from council after their timed appointment. The council was set up in its current form 6 years ago hence the large number of retirees this year.

The Natural Environment Research Council (NERC), the University of the Highlands & Islands (UHI) and the Highlands & Island Enterprise (HIE) all have observer status at SAMS Council meetings.

Any member of SAMS can nominate a new trustee to serve on Council. The SAMS Director has the responsibility to outline the duties and responsibilities to potential trustees. A new trustee is nominated and seconded at the AGM.

New trustees attend a briefing meeting with the SAMS Director or Company Secretary and are provided with the relevant guidance notes from Companies House and the Office of the Scottish Charity Regulator.

SAMS Council meets biannually usually with the addition of an annual retreat. The Council is served by a Board to Council and between them there are five sub-committees; Finance, Audit, Research, Education and Outreach. In addition there is a separate Board for SRSL. The SAMS Council, the Board and the Committees approve the Group’s strategy and perform the governance function for SAMS. The implementation of the strategy is delegated to the Executive Group led by the SAMS Director.

## Executive group

Management of the Charity is delegated by the Council to the Director and the SAMS Executive Group. The members of the Executive Group during the reporting period were:

Prof Laurence Mee Director (deceased 13 August 2014)

Prof Axel Miller Deputy Director, (Acting Director from 14 August 2014)

Prof Mark Inall Associate Director, Research, (Associate Director, External Relationships from 5 January 2015).

Prof Angela Hatton Associate Director, Research from 5 January 2015

Dr Tracy Shimmield Associate Director, Business Development (Managing Director, SRSL)

Paula Lister Associate Director, Finance

Dr Sheila Heymans Head of Ecology

Dr Finlo Cottier Head of Physics and Technology

Dr Lois Calder Head of Education

Prof Keith Davidson Head of Microbiology and Molecular Biology, (Associate Director, Education from 5 January 2015)

Prof David Pond Head of Microbiology and Molecular Biology from 1 March 2015

Dr John Howe Head of Biogeochemistry and Earth Sciences

Michelle Hausrath Head of Human Resources

Elaine Walton Company Secretary

## Equal opportunities

The company is committed to provide full opportunity for the development of individuals’ talents by using criteria based on merit and job performance alone in employment related decisions. It is further committed to ensure it does not discriminate on grounds of gender, marital status, race, colour, ethnic or national origins, age, religious belief, sexual orientation or disability.

## Directors’ statement as to disclosure of information to auditors

The directors who are members of the Council at the time of approving the directors’ report are listed on page 3. Having made enquiries of fellow directors and of the company’s auditors, each of the directors confirms that:

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

## Auditors

A resolution to reappoint Johnston Carmichael LLP as auditors will be put to the members at the Annual General Meeting

The Council Report, incorporating the Strategic Report is approved.

Professor G Boulton, OBE, FRS, FRSE Regius Professor

SAMS President

Date:

#

# Statement of Council’s Responsibilities in Respect of the Financial Statements

The Members of Council (who are directors for the purposes of company law) are responsible for preparing the Annual Report including the Strategic Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company and its group; and of its incoming resources and application of resources, including the income and expenditure, of the charitable company and its group for that period. In preparing these financial statements, the trustees are required to:

* select suitable accounting policies and then apply them consistently;
* observe the methods and principles in the Charities SORP;
* make judgements and estimates that are reasonable and prudent;
* state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
* prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in operation.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and its group and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustees Investment (Scotland) Act 2005 an Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the charitable company and its group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Independent Auditors’ Report

## To the Trustees and Members of the Scottish Association for Marine Science

We have audited the financial statements of the Scottish Association for Marine Science for the year ended 31 March 2015 set out on pages 15 to 36. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the members, as a body, in accordance with our appointment under
section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005, regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of Members of Council and auditors

As stated in the Statement of Directors’ Responsibilities set out on page 12, the members of Council (who are also the directors of The Scottish Association for Marine Science for the purposes of company law) are responsible for the preparation of the Financial Statements and for being satisfied that the financial statements give a true and fair view.

We have been appointed auditor under section 44(1) (c) of the Charities and Trustees Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

## Scope of the audit of the financial statements

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

## Opinion on financial statements

In our opinion the financial statements:

* give a true and fair view of the state of affairs of the charitable group and the parent charitable company’s affairs as at 31 March 2015 and of the group’s and parent charitable company’s incoming resources and application of resources, including the group’s and parent charitable company’s income and expenditure, for the year then ended;
* have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
* have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

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

In our opinion the information given in the Councils’ Report, including the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

Jamie Waugh (Senior Statutory Auditor)

For and on behalf of:

Johnston Carmichael LLP

Chartered Accountants

Statutory Auditor

Clava House

Cradlehall Business Park

Inverness

IV2 5GH

Johnston Carmichael LLP is eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006.

# Group Statement of Financial Activities

# including Income and Expenditure Account

**for the year ended 31 March 2015**

 **2015 2015 2015 2015** 2014

 Unrestricted funds

 ***Notes Undesignated* DesignatedRestrictedTotalTotal**

Incoming resources **£000 £000 £000 £000** £000

Incoming resources from generated funds:

Activities for generating funds 157 0 0 157 245

Investment income 0 0 0 0 0

Incoming resources from

charitable activities 2a 3,273 316 6,798 10,387 11,030

Other incoming resources - exceptional 728 0 0 728 0

Total incoming resources 4,158 316 6,798 11,272 11,275

Resources expended

Cost of generating funds 3a 13 0 0 13 24

Charitable activities 4a 4,540 269 7,463 12,272 11,169

Governance costs 79 0 0 79 56

Other resources expended 0 0 0 0 0

Total resources expended 4,632 269 7,463 12,364 11,249

Net incoming/ (outgoing) resources

before transfers (474) 47 (665) (1,092) 26

Transfers between funds 284 23 (307) 0 0

Net incoming/ (outgoing) resources

after transfers (190) 70 (972) (1,092) 26

Fund balance brought forward

at 1 April 2014 (586) 4,053 13,792 17,259 17,233

Total funds carried forward

at 31 March 2015 (776) 4,123 12,820 16,167 17,259

The statement of financial activities also complies with the requirements of an income and expenditure account under the Companies Act 2006.

Group Statement of total recognised gains and losses for the year ended 31 March 2015.

There are no recognised gains or losses other than the net outgoing resources of £1,092k in the year ended 31 March 2015 and the net incoming resources of £26k in the year ended 31 March 2014.

# Company Statement of Financial Activities

# including Income and Expenditure Account

**for the year ended 31 March 2015**

 **2015 2015 2015 2015** 2014

 Unrestricted funds

 ***Notes Undesignated* DesignatedRestrictedTotalTotal**

Incoming resources **£000 £000 £000 £000** £000

Incoming resources from generated funds:

Activities for generating funds 339 0 0 339 305

Investment income 0 0 0 0 0

Incoming resources from

charitable activities 2b 2,720 316 6,798 9,834 10,352

Other incoming resources - exceptional 728 0 0 728 0

Total incoming resources 3,787 316 6,798 10,901 10,657

Resources expended

Cost of generating funds 3b 3 0 0 3 14

Charitable activities 4b 4,006 269 7,463 11,738 10,561

Governance costs 48 0 0 48 56

Total resources expended 4,057 269 7,463 11,789 10,631

Net incoming/ (outgoing) resources

before transfers (270) 47 (665) (888) 26

Transfers between funds 285 22 (307) 0 0

Net incoming/ (outgoing) resources

 after transfers 15 69 (972) (888) 26

Fund balance brought forward

at 1 April 2014 (521) 3,988 13,792 17,259

Total funds carried forward

at 31 March 2015 (506) 4,057 12,820 16,371

The statement of financial activities also complies with the requirements of an income and expenditure account under the Companies Act 2006.

Company Statement of total recognised gains and losses for the year ended 31 March 2015.

There are no recognised gains or losses other than the net outgoing resources of £888k in the year ended 31 March 2015 and net incoming resources of £26k in the year ended 31 March 2014.

# Consolidated Balance Sheet

**At 31 March 2015**

 **March** March

 **2015** 2014

Fixed assets ***Notes*** **£000** £000

Tangible assets 9 17,228 17,845

Investments 10 0 0

 17,228 17,845

Current assets

Cash at bank and in hand 2,516 2,964

Debtors 11 2,261 2,342

Stock 47 43

Total current assets 4,824 5,349

Creditors amounts falling due within one year 12 (5,106) (4,886)

Net current assets (liabilities) (282) 463

Total assets less current liabilities 16,946 18,308

Creditors: amounts falling due after more than one year

Loans 13 (779) (1,049)

Total net assets 16,167 17,259

Capital and reserves

Restricted funds 14a 12,820 13,792

Unrestricted funds

Undesignated (776) (586)

Designated 14b 4,123 4,053

Total capital and reserves 16,167 17,259

The financial statements were approved and authorised for issue by the council and were signed on its behalf on:

Commodore A A Ross RN Professor G Boulton, OBE, FRS, FRSE

Chair of the Board President of the Council

# Company Balance Sheet

**at 31 March 2015**

 **March** March

 **2015** 2014

Fixed assets ***Notes*** **£000** £000

Tangible assets 9 17,160 17,780

Investments 10 38 0

 17,198 17,780

Current assets

Cash at bank and in hand 1,896 2,443

Debtors 11 2,945 2,862

Stock 2 2

Total current assets 4,843 5,308

Creditors amounts falling due within one year 12 (4,891) (4,778)

Net current assets (liabilities) (48) 528

Total assets less current liabilities 17,150 18,308

Creditors: amounts falling due after more than one year

Loans 13 (779) (1,049)

Total net assets 16,371 17,259

Capital and reserves

Restricted funds 14a 12,820 13,792

Unrestricted funds

Undesignated (506) (521)

Designated 14b 4,057 3,988

Total capital and reserves 16,371 17,259

The financial statements were approved and authorised for issue by the council and were signed on its behalf on:

Commodore A A ROSS RN Professor G Boulton, OBE, FRS, FRSE

Chair of the Board President of the Council

# Group Statement of Cash Flows

**For the year ended 31 March 2015**

 **2015** 2014

 ***Notes*** £000 £000

Net cash inflow/ (outflow) from operating activities 15 347 2,547

Returns on investment and servicing of finance (49) (91)

Taxation 0 0

Capital expenditure (507) (959)

Financing (239) (214)

(Decrease)/ Increase in cash (448) 1,284

Reconciliation of net cash flow to movement in net funds/ (debt)

 **2015** 2014

 ***Notes*** **£000** £000

(Decrease) / Increase in cash (448) 1,284

Repayment of long term loans 239 214

 (209) 1,498

Net funds at 1 April 1,687 190

Net funds at 31 March 1,478 1,687

# Notes to the Financial Statements

## Accounting Policies

Basis of preparation

The financial statements are prepared under the historical cost convention modified to include the revaluation of investments, in accordance with applicable accounting standards and the Statement of Recommended Practice "Accounting by Charities" (SORP 2005) issued in December 2005.

The charity has availed itself of S396 of the Companies Act 2006 as permitted in Paragraph 4 (1) of schedule S I 2008 no.409, and adapted the Companies Act formats to reflect the special nature of the Charity's Activities.

S*tatus*

The Association is a company limited by Guarantee and not having a share capital. The liability of the members who constitute the Association is limited to £1 per member.

The affairs of the Association are managed by an elected Council of Members, who constitute Directors of the Company for Companies Act purposes. The Association is a registered charity, Scottish Charity Number SC009206, and is not liable to income tax or corporation tax on its income under the Income and Corporation Taxes Act 1988.

*Group financial statements*

The group financial statements incorporate the financial statements of the company and its subsidiary undertakings for the year ended 31 March 2015. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the statement of financial activities from the date of acquisition or up to the date of disposal.

*Stock*

Stock is valued at the lower of costs and net realisable value, after making due allowance for obsolete and slow moving items.

*Tangible Fixed Assets*

Individual items of capital equipment are included in the balance sheet only if their cost exceeds £5,000 (including irrecoverable value added tax where appropriate).

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Property 15-50 years

Vessels 5-30 years

Scientific instruments and equipment 2-20 years

IT & Computer equipment 2- 5 years

Fixtures and fittings 2-20 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

*Value added tax*

As the group is registered partially exempt for VAT purposes, expenditure and fixed assets are shown inclusive of irrecoverable value added tax where applicable.

Investments

Investments include equity investments.

*Foreign Currencies*

All foreign currency gains and losses are taken to the income and expenditure account as incurred. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

*Leasing and commitments*

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

*Pensions*

The Association participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions’ employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

For SAMS staff who are seconded NERC employees, pensions are fully funded and guaranteed by NERC.

*Incoming Resources*

Income represents NERC core grants receivable in the year, other research income receivable from outside bodies, teaching income through UHI and other miscellaneous income. Other funds received of a revenue nature are credited to deferred revenue income and credited to the Income and Expenditure Account as the related research costs are incurred. Income is recognised to the extent that the Association has obtained the right to consideration through its performance under its contracted obligations.

*Resources expended*

Direct charitable expenditure represents the full cost of the research performed. It includes the cost of direct staff, consumable stocks, indirect costs and the apportioned support costs. Support costs have been apportioned to direct charitable expenditure on a percentage basis of total charitable expenditure. Fundraising and publicity expenditure represents the cost of obtaining funds for research, promoting the work of the Association and recruitment of staff. Governance costs represent the necessity of compliance with statutory and constitutional requirements.

## 2a Group Incoming Resources from Charitable Activities

 Unrestricted

 ***Undesignated* DesignatedRestrictedTotalTotal**

Group incoming resources from

charitable activities **2015 2015 2015 2015** 2014

 **£000 £000 £000 £000** £000

Education and knowledge transfer grants617 0 725 1,342 1,170

Research income, national capability

and facilities 2,262 316 6,073 8,651 9,521

Recompression 297 0 0 297 339

SIMBA units and components 97 0 0 97 0

 3,273 316 6,798 10,387 11,030

## 2b Company Incoming Resources from Charitable Activities

 Unrestricted

 ***Undesignated* DesignatedRestrictedTotalTotal**

Company incoming resources from

charitable activities **2015 2015 2015 2015** 2014

 **£000 £000 £000 £000** £000

Education and knowledge transfer grants617 0 725 1,342 1,171

Research income, national capability

and facilities 2,103 316 6,073 8,492 9,181

 2,720 316 6,798 9,834 10,352

## 2c Other incoming resources

During the year the charity received a total of £728k of compensation and accumulated interest in respect of historic loan repayments.

## 3a Group Cost of Generating Funds

 Unrestricted

 ***Undesignated* DesignatedRestrictedTotalTotal**

Group cost of generating funds

 **2015 2015 2015 2015** 2014

 **£000 £000 £000 £000** £000

Marketing, publications and newsletters 13 0 0 13 24

## 3b Company Cost of Generating Funds

 Unrestricted

 ***Undesignated* DesignatedRestrictedTotalTotal**

Company cost of generating funds

 **2015 2015 2015 2015** 2014

 **£000 £000 £000 £000** £000

Marketing, publications and newsletters 3 0 0 3 14

## 4a Group Cost of Charitable Activities

 Unrestricted

 ***Undesignated* DesignatedRestrictedTotalTotal**

 **2015 2015 2015 2015** 2014

 **£000 £000 £000 £000** £000

Staff costs 2,007 0 5,144 7,151 6,691

Other costs (everything other than

governance & marketing) 2,533 269 2,319 5,121 4,478

 4,540 269 7,463 12,272 11,169

## 4b Company Cost of Charitable Activities

 Unrestricted

 ***Undesignated* DesignatedRestrictedTotalTotal**

 2015 2015 2015 2015 2014

 £000 £000 £000 £000 £000

Staff costs 2,007 0 5,144 7,151 6,691

Other costs (everything other than

governance & marketing) 1,999 269 2,319 4,587 3,870

 4,006 269 7,463 11,738 10,561

## 5 Net Incoming Resources

 **2015** 2014

 **£000** £000

Group net incoming resources are stated after charging

Auditors remuneration – audit services 14 14

 Other services 6 6

Depreciation, amortisation & losses on disposals 1,124 843

Operating lease charges 150 33

Foreign exchange (gains) & losses 156 94

## 6 Remuneration of the Members of the Council

The non-executive Council Members received £4,210 (2014 - £4,210), in the form of reimbursable expenses, in total from the Association during the year. The following Directors received remuneration:

 **2015** 2014

 Committee **£000** £000

Mr Michael Gibson Board 0 20

Mr Gordon McAllister Finance 0 3

Professor Monty Priede Research 3 3

Commodore Angus A Ross Audit / Board 0 3

Professor M Bownes Education 2 3

Mr Stuart Cannon Finance 1 0

Ms M Jeffcoat Audit 1

Total 7 32

## 7 Staff Costs

 **2015** 2014

 **£000** £000

Wages and salaries 5,836 5,421

Social security costs 428 437

Other pension costs 887 833

 7,151 6,691

Included within staff costs are £285,000 of accrued restructuring costs which are to be fully recovered in the financial period 2015/16.

The average number of persons employed by the group during the year was as follows:

 **2015** 2014

 **No.** No.

Administration 71 65

Research 65 62

Technical 57 58

 193 185

Remuneration of higher paid staff earning in excess of £60,000, excluding employer's pension contributions were in the following ranges:

 **SAMS** Total

 **2015** 2014

 **No.** No.

£60001-£70000 3 3

£70001-£80000 1 0

£80000-£90000 0 0

£90000-£100000 0 0

£100000-£110000 0 1

£110000-£120000 0 0

All employees earning more than £60,000 accrued benefits under a defined benefit scheme during the year.

## 8 Resources Expended

 **2015** 2014

 **Total** Total

 **£000** £000

Activities in furtherance of charitable objectives

Administration 2,469 2,362

Research 3,266 2,999

Technical 1,416 1,330

 7,151 6,691

Scientific consumables 3,423 3,010

Support costs 1,457 1,325

Depreciation unfunded 284 132

Interest 49 91

Total 12,364 11,249

Support Costs

Utilities 271 269

Property maintenance, service & cleaning 380 371

Business development 49 29

Communications 26 26

Company Secretary, Finance & HR 309 145

Directorate 58 49

Health & Safety 21 13

ITC costs 83 81

Library 87 109

Ocean Explorer Centre 22 2

Vehicles 19 18

Vessels 60 68

Other 72 145

Total 1,457 1,325

## 9 Tangible Fixed Assets

 Assets

 under Vessels & Fittings &

 Construction Property Vehicles Equipment Total

 £000 £000 £000 £000 £000

Group

Cost:

At 1 April 2014 339 19,642 640 9,175 29,796

Disposals 0 0 0 (266) (266)

Additions 463 0 0 44 507

Reclassifications (692) 0 0 692 0

At 31 March 2015 110 19,642 640 9,645 30,037

Depreciation:

At 1 April 2014 0 3,984 524 7,443 11,951

Disposals 0 0 0 (99) (99)

Charge for year 0 407 27 523 957

At 31 March 2015 0 4,391 551 7,867 12,809

Net book value:

At 31 March 2015 110 15,251 89 1,778 17,228

At 1 April 2014 339 15,658 116 1,732 17,845

 Assets

 under Vessels & Fittings &

 Construction Property Vehicles Equipment Total

Company £000 £000 £000 £000 £000

Cost:

At 1 April 2014 339 19,643 640 8,816 29,438

Disposals 0 0 0 (266) (266)

Additions 463 0 0 26 489

Reclassifications (692) 0 0 692 0

At 31 March 2015 110 19,643 640 9,268 29,661

Depreciation:

At 1 April 2014 0 3,984 524 7,150 11,658

Disposals 0 0 0 (99) (99)

Charge for year 0 407 27 508 942

At 31 March 2015 0 4,391 551 7,559 12,501

Net book value:

At 31 March 2015 110 15,252 89 1,709 17,160

At 1 April 2014 339 15,659 116 1,666 17,780

## Assets under construction: This relates to the part build of Scientific Equipment.

## The value of the capital commitments at 31 March 2015 was £587,237 (2014 - £386,000).

## 10 Investments

 **31 March** 31 March

 **2015** 2014

Group **£000** £000

Subsidiaries 0 0

Other Fixed Asset Investment 0 0

 0 0

 **31 March** 31 March

 **2015** 2014

Company **£000** £000

Subsidiaries 38 0

Other Fixed Asset Investment 0 0

 38 0

(a) Subsidiaries **Group** Group

 **2015** 2014

 **£000** £000

Cost at 1 April 2014 0 0

Impairment 0 0

Net Book Value at 31 March 2015 0 0

(b) Other fixed asset investment **Group** Group

 **2015** 2014

 £000 £000

Cost at 1 April 2014 53 53

Impairment (53) (53)

Net Book Value at 31 March 2015 0 0

Company

Subsidiary Undertakings Voting holding Shares held Nature of the business

SAMS Research Services Ltd Ordinary Shares 100% Consultancy

The European Centre for Marine

Biotechnology Limited by Sole member Non Trading

 Guarantee

West Scotland Centre for Diving

and Hyperbaric Medicine Limited Ordinary shares 100% Non Trading

SAMS Commercial Services Ltd Ordinary shares 100% Non Trading

Scottish Marine Institute Ordinary Share 100% Non Trading

Marine Bioenergy Scotland Ltd Ordinary share 100% Non Trading

SAMS Ltd Ordinary Shares 100% Commercial

SAMS Research Services Limited gift aid all of its taxable profits to the Scottish Association for Marine Science as company Directors consider appropriate.

 SAMS Research Services Limited SAMS Limited

 **2015** 2014 2015 2014

 **£000** £000 £000 £000

Turnover 1,261 1,803 459 0

Cost of Sales (1,304) (1,638) (307) 0

Gross (Loss) / Profit (43) 165 152 0

Administrative expenses (174) (65) (80) 0

Other operating income 5 0 0 0

Exceptional item-foreign exchange loss 0 (99) 0 0

Operating (loss) / profit (212) 1 72 0

Interest receivable 0 0 0 0

Interest payable 0 0 0 0

(Loss) / profit on ordinary activities before taxation (212) 1 72 0

Tax on (loss) / profit on ordinary activities 0 (1) 0 0

Foreign withholding tax irrecoverable 0 0 0 0

(Loss) / profit for the year (212) 0 72 0

## 11 Debtors

 **SAMS** **Group** SAMS Total

 **2015** **2015** 2014 2014

 Company Group Company Group

Trade Debtors 0 277 0 393

Prepayments & Accrued income 1,006 1,038 902 1,065

Intercompany 997 0 1,078 0

Other Debtors 942 946 882 884

 2,945 2,261 2,862 2,342

## 12 Creditors: amount falling due within one year

 **SAMS** **Group** SAMS Total

 **2015** **2015** 2014 2014

 Company Group Company Group

Current instalment due on

bank loan (note 13) 259 259 228 228

Payments received in advance 3,565 3,608 2,916 2,975

Intercompany 8 0 0 0

Taxation & Social Security 212 214 292 292

Sundry creditors & accruals 847 1,025 1,341 1,391

 4,891 5,106 4,778 4,886

The bank loan and overdraft facilities are secured by a bond and floating charge over the whole assets of the company and a standard security over Scottish Marine Institute, Oban in favour of the Bank of Scotland, HIE Argyll and the Islands and the University of the Highlands and Islands.

## 13 Loans

 **Group** Group

 **2015** 2014

 **£000** £000

Wholly repayable within 5 years:

£1,147 bank loan @1.25% above LIBOR per annum, repayable in

monthly instalments of £22,932 commencing November 2014. 1,038 1,277

Less: included in creditors: amounts falling due within one year (259) (228)

 779 1,049

Amounts repayable:

Within 1 year 259 228

In 1 to 2 years 264 244

In 2 to 5 years 515 805

 1,038 1,277

Over 5 years 0 0

 1,038 1,277

## 14a Restricted Funds

 01 Apr 2014 Income Expenditure Transfer 31 Mar 2015

Group £000 £000 £000 £000 £000

Fixed asset funds 13,792 175 (840) (307) 12,820

Yonge Fellowship 0 0 0 0 0

Research Projects 0 6,623 (6,623) 0 0

 13,792 6,798 (7,463) (307) 12,820

 01 Apr 2014 Income Expenditure Transfer 31 Mar 2015

Company £000 £000 £000 £000 £000

Fixed asset funds 13,792 175 (840) (307) 12,820

Yonge Fellowship 0 0 0 0 0

Research Projects 0 6,623 (6,623) 0 0

 13,792 6,798 (7,463) (307) 12,820

Capital grants are recognised as restricted income in the year in which they are received and the depreciation on all fixed assets funded by capital grants is recognised as an expense against the restricted fund.

An adjustment has been made to bring the reserves into line with the classification of fixed asset held within SAMS Fixed Asset Register as at 31 March 2015 which amounted to £1,000. There is an additional adjustment of £307,000 to transfer assets from Restricted to Unrestricted Designated funds which no longer had any restrictions in place by the funders.

The Yonge Fellowship is to commemorate the late Professor Sir Maurice Yonge. Awards have been granted from the fund to suitable marine science projects.

## 14b Designated Funds

 01 Apr 2014 Income Expenditure Transfer 31 Mar 2015

Group £000 £000 £000 £000 £000

Fixed asset funds 4,053 316 (269) 308 4,408

Restructuring 0 0 0 (285) (285)

 4,053 316 (269) 23 4,123

 01 Apr 2014 Income Expenditure Transfer 31 Mar 2015

Company £000 £000 £000 £000 £000

Fixed asset funds 3,988 316 (269) 307 4,342

Restructuring 0 0 0 (285) (285)

 3,988 316 (269) 22 4,057

SAMS had designated a reserve for fixed assets. A restricted reserve already exists for fixed assets and this reflects the level of grant funding received for the asset held by SAMS. The restricted reserve does not, however, reflect the full amount of funds held in tangible fixed assets held for the charity's use. The designated fund represents the balance between the net book value of assets held and the restricted reserve. Transfers have been made during the year to bring the reserves in line with SAMS Fixed Asset Register as at 31 March 2015 for Restricted and Unrestricted reserves.

## 15 Notes to the Statements of Cash Flows

Reconciliation of net incoming resources to net cash inflow from operating activities:

 **2015** 2014

 **£000** £000

Net incoming/(outgoing) resources (1,092) 26

Net interest paid 49 91

Depreciation & amortisation 957 844

Loss / (gain) on disposal of fixed assets 167 (21)

(Increase)/decrease in stock (4) (43)

Increase)/decrease in debtors 81 1,498

(Decrease)/Increase in creditors 189 152

Net cash (outflow) / inflow from operating activities 347 2,547

 **2015** 2014

 **£000** £000

Returns on investment & servicing of finance:

Interest received 0 0

Interest paid (49) (91)

 (49) (91)

 **2015** 2014

 **£000** £000

Capital expenditure & financial investment

Payments to acquire investments 0 0

Payments to acquire tangible fixed assets (507) (1,038)

Disposal of fixed assets 0 79

 (507) (959)

 **2015** 2014

 **£000** £000

Financing

Cashflow financing for new building 0 0

Repayment of long term loans (239) (214)

 (239) (214)

 01 Apr 2014 Cashflow **31 Mar 2015**

 £000 **£000**

Cash at bank & in hand 2,964 (448) 2,516

Debt due within one year (228) (31) (259)

Debt due after one year (1,049) 270 (779)

 1,687 (209) 1,478

## 16 Pensions

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

The company is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the company’s employees. In 2015, the percentage was 16% (2014: 16%). The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 “Retirement benefits”, accounts for the scheme as if it were a defined contribution scheme.

The total cost charged to the profit and loss account is £887k (2014: £833k) as shown in note 7. There was neither a prepayment nor an accrual at the end of the financial year in respect of these contributions. The disclosures below represent the position from the scheme’s financial statements.

The latest available triennial actuarial valuation of the scheme was at 31 March 2014 (“the valuation date”), which was carried out using the projected unit method and is currently being audited by the scheme auditor. Based on this 2014 valuation it is expected that employer contributions will increase to 18% from 1 April 2016.

The 2014 valuation was the third valuation for USS under the scheme‐specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme’s technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

FRS 17 liability numbers have been produced for the using the following assumptions:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2015**  |  | **2014**  |
| Discount rate  | 3.3%  |   | 4.5% |
| Pensionable salary growth  |  3.5% in the first year and 4.0% thereafter  |   | 4.4% |
| Price inflation (CPI)  | 2.2%  |   | 2.6% |

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

 Male members’ mortality S1NA [“light”] YoB tables – No age rating

 Female members’ mortality S1NA [“light”] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted for the 2014 FRS17 figures, for the March 2015 figures the long term rate has been increased to 1.5% and the CMI 2014 projections adopted, and the tables have been weighted by 98% for males and 99% for females. The current life expectancies on retirement at age 65 are:

 **2015** **2014**

Males currently aged 65 (years) 24.2 23.7

Females currently aged 65 (years) 26.3 25.6

Males currently aged 45 (years) 26.2 25.5

Females currently aged 45 (years) 28.6 27.6

 **2015** **2014**

**Existing benefits**

Scheme assets £49.0bn £41.6bn

FRS 17 liabilities £67.6bn £55.5bn

FRS 17 deficit £18.6bn £13.9bn

FRS 17 funding level 72% 75%

## 17 Other Financial Commitments

At 31 March 2015 the company had annual commitments under non-cancellable operating leases as set out below:

 Group Company

 2015 2014 2015 2014

Operating lease which expire: £000 £000 £000 £000

Within one year 1 0 1 0

Within 2 to 5 years 136 73 94 73

 137 73 95 73