



The Scottish Association for Marine Science
(A Scottish Charitable Company Limited by Guarantee, not having share capital)

Directors' report and group financial statements
for the year ended 31 March 2020

Registered number: SC009292
Scottish charity number: SC009206

Contents

	Page
Company information	3
Board report (incorporating the strategic report)	4 - 14
Directors' report	15 - 16
Statement of Board responsibilities	17
Independent auditor's report	18 - 21
Group statement of financial activities	22
Charity statement of financial activities	23
Group balance sheet	24
Charity balance sheet	25
Group and charity statement of cash flows	26
Notes to the financial statements	27 - 52

The Scottish Association for Marine Science

Company information

Directors	Hazel Allen	Trustee and Chair of Finance Committee, appointed November 2017
	M T S Batho	Trustee and Chair of Education Committee, appointed November 2014
	Professor John Baxter	Trustee appointed December 2018
	Sarah Brown	Trustee appointed December 2018
	Professor Colin Brownlee	Trustee appointed December 2018
	Lisa Chilton	Trustee appointed December 2018
	Mr I D Dunn	Trustee, appointed November 2016 appointed acting Chair December 2018 until March 2019, appointed deputy Chair March 2019
	Professor Ailsa Hall	Stepped down March 2020
	John MacKerron	Trustee and Chair of Audit Committee appointed December 2019
	Dr Deborah McNeill	Trustee appointed December 2018
	Diana Murray	Trustee & Chair appointed March 2019
	Dr Magnus Nicolson	Chair of SRSL Board. Trustee appointed December 2019
	Susan Watts	Trustee appointed December 2018
Audit Committee	John MacKerron	Chair of Audit Committee appointed 1 August 2019
	Dr C Philips	Appointed March 2016 and acting Chair from March 2019
	Professor B Ferrier	Appointed 16 November 2016
Secretary	Professor Axel E J Miller	
Auditor	Saffery Champness LLP Kintail House Beechwood Park Inverness IV2 3BW	
Bankers	Bank of Scotland Station Road Oban PH34 4LL	
Registered Office	Scottish Marine Institute Oban Argyll PA37 1QA	
Charity Number	SC009206	

**The Scottish Association for Marine Science
(A company limited by guarantee)**

**Board report (incorporating the strategic report)
For the year ended 31 March 2020**

**Charity number: SC009206
Company number: SC009292**

The SAMS Board, the members of which are also Directors of the Charity for the purposes of the Companies Act, for The Scottish Association for Marine Science (SAMS), present their report and the group financial statements for the year ended 31 March 2020.

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 with a membership. 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 Limited (SRSL) and SAMS Limited. The registered office of SRSL is Lismore Suite, Suite 4, Malin House, The European Marine Science Park, Dunbeg, Oban, Argyll PA37 1SZ. The registered office of SAMS Limited is C/o Scottish Marine Institute, Dunbeg, Oban, Argyll PA37 1QA.

SAMS is a founding partner of the University of the Highlands and Islands (UHI); an Associated Institution of the United Nations University; a Delivery Partner of the UKRI-Natural Environment Research Council; a partner in the Marine Alliance for Science and Technology for Scotland (MASTS); and Scottish Alliance for Geoscience, Environment & Society (SAGES).

The activities of SAMS, SRSL and SAMS Limited (The SAMS Group) are as follows:

- SAMS purpose is to conduct world-leading research to create new knowledge about the seas and oceans, about how they work, their interaction with the rest of the planet and with humanity. SAMS research embraces the great challenges of our time: the provision of sustainable food and energy supply and global climate change, in the face of increasing human population and therefore pressure on the marine environment. SAMS research extends from the atmosphere above the sea to its greatest depths, from pole to pole. Importantly, a key purpose of SAMS is to promote and make this new knowledge available for society, from school children to world leaders.
- SRSL is a commercial, subsidiary company, wholly owned by SAMS as the single shareholder. It exists to provide knowledge, know-how and services, primarily to commercial entities in order for them to better carry out their business. Increasingly, SRSL operates at the interface between academia and business – the so-called innovation space – which is recognised as an important area to stimulate employment, new businesses and wealth generation.
- SAMS Limited is a second subsidiary company, wholly owned by SAMS. It exists to provide specialist services particularly the provision of algal cultures and to manage the rental of SAMS infrastructure (rooms etc) for tenants.

Achievements and performance

SAMS prepares an annual report that is made available to its members and the public through the SAMS website and in hardcopy to members if required.

Highlights of the year include:

Over the reporting year SAMS worked on over 125 research and commercial projects, resulting in 56 peer-reviewed publications in high-quality ISI journals and a similar number of technical, project and commercial-in-confidence reports.

SAMS staff continue to be recognised for their excellence and contribution to SAMS, UHI and the wider community.

The first UHI PhD since the university was granted higher degree awarding powers was awarded to a SAMS student.

Professor Mark Inall continued in his capacity as Director of the Scottish Government clustering initiative – SAGES and he continued as a member of the Scottish Government’s Science Advisory Council.

SAMS hosted Universities Minister and Deputy Prime Minister, David Lidington MP, and in a separate visit UK Government Chief Scientist Professor Sir Mark Walport.

Modernisation of SAMS Governance continued with further Trustees appointed, bringing additional skills and knowledge to Board.

The process of developing a corporate strategy for the organisation commenced, with a series of internal consultations and discussions conducted with the Board and staff. These discussions helped to inform SAMS’ future direction, shaping the organisation’s key objectives and contributing to the preparation of a strategy which will be developed to support business over the next five years.

The operation of a new science management structure became established, facilitating a more integrated approach across different areas of the business. This gave rise to the preparation of an internal research and innovation strategy and the identification of key growth areas, which resulted in recruiting several additional skilled scientists to SAMS. The restructuring and subsequent developments have put a strong foundation in place for taking forward significant projects and future plans.

The internal communications team has expertise including message development, writing and editing, marketing, media relations, design and creative services, event planning, web development, digital and video production, social media, exhibitions, public engagement and training. Substantial staff changes during the year refreshed the skill base and enhanced the marketing and creative breadth of the team.

The SAMS group maintains four corporate websites: www.sams.ac.uk; www.ccap.ac.uk; www.oceanexplorercentre.org and www.srsl.com. During the reporting period there has been an upward trend in users visiting the SAMS (+16.8%) and CCAP (+8%) websites compared to the previous year and a small fall in users of the SRSL website (-2.7%) while the Ocean Explorer Centre visitor tracking was interrupted so no useful data set is available. Total session views were up by between 3.8% and 8% for all sites, and total page views up by 3.8% for SAMS, 3% for SRSL and down by 5% for CCAP. A total of 346,116 page views was achieved across the three sites between 1 April 2019 and 31 March 2020.

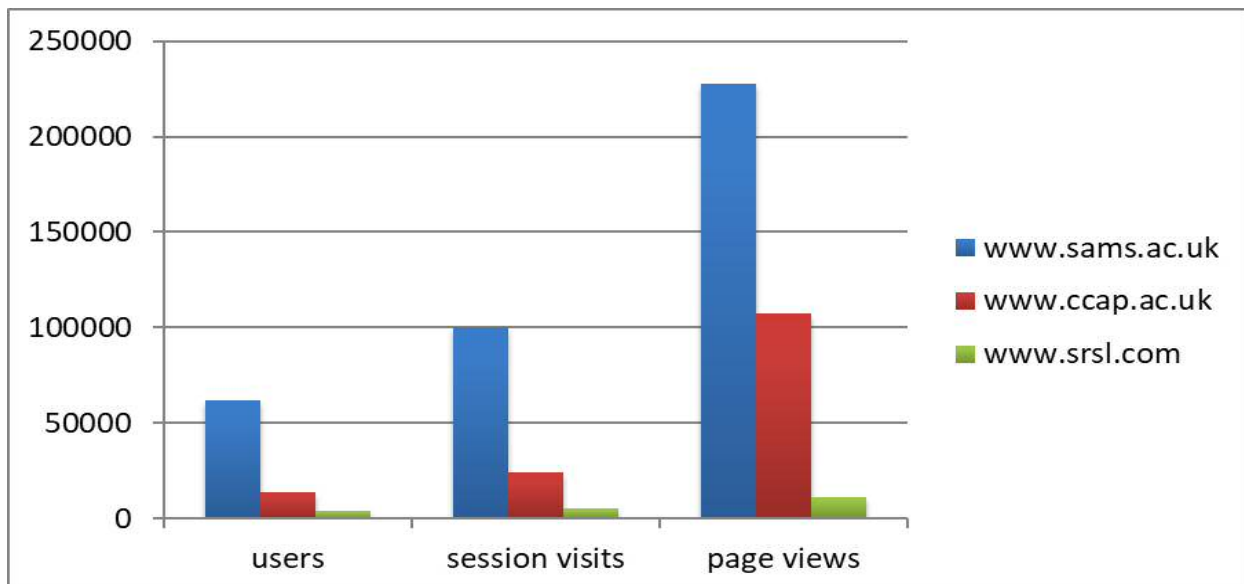


Figure: Total user, session visit and page view numbers for our three main websites during the reporting period.

SAMS has an active social media profile, with different channels used to target specific audience groups:

- Twitter (@ScotMarineInst): 10,331 (2018/19 - 9,069) (scientists, decision makers)
- Facebook (SAMS.Marine): 5,413 (2018/19 – 4,937) (staff, students, alumni, families, friends and locals)
- LinkedIn (scottish-association-for-marine-science): 5,180 (2018/19 – 3,606) (business and recruitment)
- Instagram (samsmarinescience): 1,150 (2018/19 – 800) (students and young people)
- YouTube (SAMSmarinescience): 440 (2018/19 – 341) subscribers, 131 videos uploaded (70,574 total views)

SAMS achieved 222 recorded media mentions (compared to 160 in 2018/19) covering press, radio, television, and digital news outlets, of which 9.4% were in BBC outlets. Local and regional media are particularly interested in our stories, with both the Oban Times (10.3%) and Press and Journal (13.9%) carrying most of our news stories. We still find it easier to achieve coverage in the Glasgow Herald (8.1%) than The Scotsman (1.8%) and will focus more on east coast outlets in the coming year. The above numbers exclude mentions of SAMS in relation to the University and College Union strike.

Our Ocean Explorer visitor and outreach centre welcomed 5,100+ visitors until it closed on 17 March due to the Coronavirus pandemic. We continued to provide workshops for visiting schools and to deliver workshops in schools. We hosted a STEM day for around 90 pupils from across Argyll, organised an aquaculture event with our MSc students as part of the Oban Winter Festival and organised numerous smaller events such as storytelling (in 2019 introducing our home grown Selkie narrator), craft workshops and seashore safaris. We trained two interns and organised a training event for 18 new STEM ambassadors. We added a full-size rubber Flapper skate model as an outreach tool into the OEC as part of the INTERREG VA funded MarPAMM project and put together displays for the Oban Games and a Christmas Tree festival. The main challenge in the year was keeping our underwater observatory clean and we are working on a cheaper and simpler system for cleaning the cameras than using professional divers.

Financial review

The SAMS Group made a surplus of £259k in 2019/20 (2018/19 deficit of £2,205k). This outturn included a benefit from the reduction in its Universities Superannuation Scheme (USS) liability of £743k (2018/19 increase of £1,301k).

Excluding the movements in pension provision recognised as other gains and losses, the organisation made an overall deficit from operations of £484k (2018/19 - deficit £904k).

The Group benefited from the positive contribution from the subsidiary company SAMS Research Services Limited (SRSL) of £122k (2018/19 £382k). The subsidiary continued to make good progress, complimenting the Science activities carried out across the group. SAMS Limited also contributed a net surplus of £80k (2018/19 £43k).

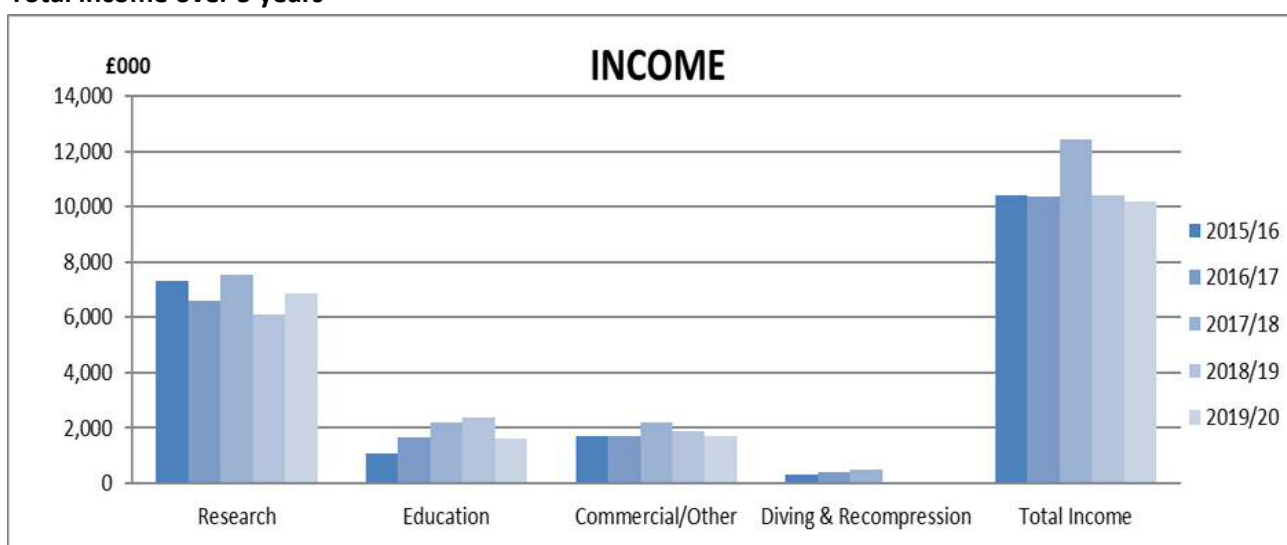
Cash flows across the Group amounted to an increase of £607k (reduction of £661k in 2018/19).

The main elements and initial focus of the Institutional Reform and Development Plan (IRDP), which concentrated on rebalancing and consolidating SAMS, have been integrated into normal business operations. Key financial elements, including new systems and procedures are now fully implemented, creating more standardised and efficient processes.

Financial summary

	2019/20 £000	2018/19 £000	Change %
Summary			
Operating Income	10,997	10,252	7%
Operating Expenditure excluding grant funded depreciation	(10,649)	(10,558)	1%
Operating Surplus/(Deficit) before exceptional item	348	(306)	
Other Income		199	
Pension Surplus/ (Deficit) Obligation	743	(1,301)	
Depreciation funded by grants received in previous years	(832)	(797)	
Surplus/(Deficit) transferred to reserves	259	(2,205)	

Total income over 5 years



Research grants and contracts

	2015/16	2016/17	2017/18	2018/19	2019/20
Research Income	£000	£000	£000	£000	£000
NERC (including National Capability)	3,472	2,947	2,882	2,738	3,151
EU	1,111	1,184	1,237	982	1,312
Other	2,154	1,724	2,271	1,257	1,421
REG	833	1,123	1,146	1,143	986
Total Research Income	7,570	6,978	7,536	6,120	6,870

Income from research grants and contracts increased in 2019/20 by 12.25% (2018/19 decrease of 18%).

Overall, the income generated from research grants and contracts came in higher than the annual budget by £93k and showed an increase of 12.5% against research income in 2018/19.

UKRI income of £3,156k was 46% of the total income generated from research. Notable grant successes included a follow on to the OSNAP project, UK OSNAP DECADE with income of £860k over 3 years and a Future Leaders fellowship generating £1.1m over the next 6 years.

EU Horizon 2020: the income from the EU Horizon 2020 call showed an increase of 37% despite the uncertainty of BREXIT. The income generated is from previous years successful grants plus the benefit of a weaker pound against the Euro. The current EU Horizon 2020 call is expected to be extended beyond its current end date of 31st December 2020 and we are monitoring the progress in negotiations to include the UK as a participant in the next framework call Horizon Europe.

Other Research: other Research income covers a wide range of funders and includes funding through UK and Scottish Government agencies, a growing relationship with Norwegian funders, Innovation centres in the UK and other EU programmes. The income generated showed a 10% increase at £1,394k.

The Research Excellence Grant (REG) has a reduction of £157k. This is because of the way the KT grant was treated in the past as part of the SFC REG income. The KT element is now distributed as part of competitive grants and is shown under 'Other Research'. This funding is received from the Scottish Funding Council via the UHI which is part of the dual support system. It is in the form of a block grant and the UK Research Councils provide specific research projects and programmes. The REG is used to fill the gap in funding from the major funders who do not provide funding at the Full Economic cost of delivering the research within the projects. This gap represents approximately about 20%-35% of the cost of funded research. A key challenge for SAMS is to balance the volume of activity from research funding through the dual support system.

Education

Education income accounts for 17% (2019 - 23%) of SAMS income.

SAMS delivers taught undergraduate and both taught and research postgraduate education as a partner of UHI. The number of students now exceeds the total number of SAMS staff on site.

The major source of income is the undergraduate BSc (Hons) in Marine Science. Recruitment continues to increase with a total undergraduate student population of 130 for the academic year 2019/2020 (122 - 2018/2019) generating an income of £601k (2018/19 - £588k). In addition, SAMS participates in the Erasmus programme and a total of 10 students are currently at SAMS on exchange.

PhD income is from a variety of funders including the NEXUS CDT and E3 DTP, ESF and Bryden Centre via UHI. PhD student numbers are approximately stable with 38 students at March 2020 (March 2019 - 40) with an income of £883k (2018/19 - £890k).

The major income stream at Masters level is the Erasmus Mundus Joint Masters Degree in Aquaculture, Environment and Society (ACES) that is now in its fourth year of funded studentships. SAMS no longer co-ordinates the course but continues as a partner. SAMS offer a research Masters programme that was recently approved with the revised title of “MRes in Algal Biotechnology, Biology and Ecology”.

SAMS also hosts field courses for a number of external institutions, making use of SAMS educational facilities at times of lower demand from our own students.

SAMS continues to increase marketing and actively market courses through videos, presentation to schools and with a digital presence including growing its Instagram footprint.

Enterprise

SAMS’ subsidiary SAMS Research Services Limited (SRSL) which accounts for most of SAMS commercial activity, has had year of consolidation and success, achieving a surplus of £233k gift-aided to SAMS in December 2019 covering financial year 2018/19, and staff time contribution of £867k, which includes 30% overhead of £98k.

Turnover of £1,448k (2018/19 £1,439k) was achieved in the year. The total is less than the forecast budget and a small increase on the previous year’s income. However, this was largely a result of delays in the start dates of confirmed projects and postponement of pipeline work due to COVID (see below). Overall the trading division of the organisation has continued to operate successfully, tightly controlling overhead, building higher margin business with larger, ‘blue-chip’ businesses and developing new business.

In line with the need for profitable commercial activity to support the organisation, the current business plan continues to be focused on building sustainable revenue streams in parallel with core consultancy work. The 5 areas of core activity, initially identified in 2018/19, are maturing and developing at different rates. SIMBA and NewDEPOMOD are performing extremely well, whilst other novel areas of commercial activity are bringing variable levels of income into SAMS Group, but require continued attention to realise their potential. Other new areas of activity within SAMS are also being identified that could, with investment and consolidation, develop into future core areas too. SRSL has also taken both the NewDEPOMOD and SIMBA services through HIE-funded Pathfinder programme to focus future business and marketing activity for these areas.

In the past year, our aquaculture modelling software NewDEPOMOD has been highly successful with annual licences sold in the UK, USA, Norway, Chile, Canada and Tasmania. The regulator in our immediate domestic market has adopted and specified its use and we are working with the regulators in our export markets, with a number showing particular interest in adopting NewDEPOMOD as the preferred modelling tool. Specific engagement activity is planned with regulators and users in Canada, Norway and Chile, as well as reviewing the potential for Meramod and Tropomod, which would open up new global markets.

The seaweed hatchery continued to supply seaweed 'seed' to a growing number of farmers, although the industry itself is at a very early phase. SAMS continues to improve and refine its facilities and methodology to be able to meet the demands of this emerging market, although it should be noted COVID has had a significant operational business impact.

With partners in the offshore energy sector, SAMS is now delivering marine growth assessment services and the aim is to expand this offering to the wider oil and gas decommissioning sector and also to marine renewables markets globally. Considerable resources and effort have gone into this area of commercial activity to build capacity and capability within the SAMS team, but also with new academic and industrial partners, to ensure that this becomes a much more significant area of income for SAMS.

SIMBA continues to sell successfully to the polar ice research community with improved reliability and customer focus, alongside the emergence of new markets, for example in Canada. The application of the technology to the new markets of avalanche and flood forecasting working with the support and endorsement of the Scottish Avalanche Information Service and SEPA continues.

COVID has impacted SRSL's ability to operate during the latter phases of Q4 of 2019/20 and of course more significantly into 2020/21. The lockdown has resulted in delay and scope adjustment to contracted work, in particular involving a significant contract with CEFAS for the provision of on-shore sanitary surveys. Other areas of activity have either been cancelled or are in danger of being delayed due to COVID and opportunities are both fewer and lesser in scope than in previous years.

Finally, to achieve our business objectives and ensure that SRSL delivers to the needs and expectations of its customers, SRSL continues to operate and manage a Quality Management System (QMS) that is compliant with and accredited to ISO9001 and ISO17025. The QMS is integrated within the business operation and aims to continuously develop and improve SRSL's internal processes and procedures, thus ensuring a focus on customers' requirements, consistency and quality of service, and efficiency of operation. The QMS is aimed specifically at augmenting SRSL's excellent reputation in delivering high quality service within the marine service sector and therefore contributing to the development of sustainable and repeatable business.

Effective management of resources

Staff costs remain the highest proportion of expenditure representing 61% (2018/19 - 59%) of operational income. Total staff costs for the year amount to £6,696k (2018/19 - £6,200k). The reduction in staff costs this year reflects the overall reduced research activity compared to the prior year.

Capital investment

Capital investment funds were received as an academic Partner of the University of the Highlands and Islands (UHI) directing money from the Scottish Funding Council (SFC) and the UK Department of Business, Education, Innovation and Skills (BEIS). Over the reporting period funds were distributed to support: (i) replacement of water and heating pipework feeding the original SAMS buildings; (ii) new instrumentation to support our science activities; (iii) rolling replenishment of teaching equipment; (iv) replacement of outdated information, communications and technology infrastructure; (v) new pumps for the research aquarium; and (vi) geosciences facilities for boat work and sample preparation.

Plans for future periods

Our key objective for the next year is to pursue the implementation of our corporate strategy across the four key themes:

Research excellence

We shall enhance SAMS' reputation for research excellence by a combination of supporting and training existing members of staff, particularly those recently recruited to SAMS. We shall maintain a strategic approach to ensuring the correct balance of skills in the research capacity of SAMS in line with new and emerging disciplines. We shall encourage high achievers in the wider marine science community that SAMS would be an excellent place to bring personal fellowships.

Providing solutions

Through our commercial arm SAMS Research Services Limited (SRSL), we shall provide business solutions across our six targeted markets. In particular, we shall take advantage of the HIE - supported 'Pathfinder Initiative', which is designed to enhance entrepreneurship and business development.

Impact and influence

We shall pursue a concerted agenda to increase the impact and influence of our science communication and public engagement activities.

Efficient operations

Professional services and activities that enable and underpin our operations are also key to the delivery of our strategic objectives. A range of support services, corporate functions and expertise (e.g. Finance, IT & Library, HR, Estates, Communications, Safety, Health & Environment, Compliance and Ships Operations) underpin and enable the efficient delivery of our operations.

We shall continue to support marine science at SAMS and in partnership with organisations across the world with outstanding professional services and infrastructure. We shall continue to work closely with colleagues in Highlands and Islands Enterprise, Argyll and Bute Council and UHI to pursue major infrastructure developments around aquaculture and aerial robotics.

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.

These especially are at risk because of the highly uncertain external operating environment resulting from COVID- 19. More specifically:

- Risk of failing to deliver on diversifying income streams to strengthen financial position.
- Risk of failure to meet research, education and enterprise performance targets including potential failure to win EU research grants as a consequence of the continuing uncertainty surrounding Brexit.
- Risk of not achieving demanding income targets from commercial contracts, in an increasing costs environment.
- SAMS has an established risk management strategy which comprises:
 - The SAMS risk register is maintained by the Compliance Manager and overseen by the Executive Group. High-level risk summaries and individual 'deep dive' risks are scrutinised by SAMS Board, whose sub-committees review risk registers relevant to their terms of reference.
 - SAMS Board and its committees 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 Board is guided by the Audit Committee, which oversees our control mechanisms.
- Specific mitigations being undertaken and monitored include:
 - tightening financial controls
 - improved management information systems
 - improved resource allocation and monitoring tools
 - investment in resource for diversifying income
 - planning and delivery of ongoing partnerships with other education and research providers
 - continued horizon-scanning and innovation in areas of research, education and enterprise
 - enhanced strategic communications activities programme

Reserves policy

The primary aim of the reserves policy is to ensure that SAMS holds 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 SAMS Group 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 Governing Body.
- Not be 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 SAMS Group to hold in unrestricted undesignated reserves a minimum of 3 months annualised unrestricted expenditure, amounting to approximately £1,119k, in order to provide adequate working capital levels for the continued operation and completion of existing projects.

In addition, the Board has set the target of maintaining cash reserves at a minimum level of 2 months of the salary bill (March 2020 - £1,125k).

The total funds held by the SAMS Group at the year-end amount to £12,912k (2019 - £12,653k). This consists of unrestricted funds in surplus of £10,960k (2019 - surplus £6,812k), and restricted funds of £1,952k (2019 - £5,841k).

Unrestricted funds reflect the amount of reserves freely available to spend on any of the charity's purposes, including those stated above. The restricted funds balance at the year-end date consists of a fixed asset fund relating to assets acquired with funds for which ongoing restrictions continue to apply. The Board has noted the net current liabilities of £1,176k (2019 - £1,106k) which are considered part of the unrestricted funds obligation. SAMS is satisfied that this does not affect the sustainability of the Group. The unrestricted reserves not invested in fixed assets amount to £2,792k (2019 - deficit £3,409k) which includes the pension fund deficit of £1,616k (2019 - £2,303k). It is our intention to review the required level of unrestricted funds over the current financial year in order to move towards compliance with the policy of a minimum of 3 months annualised unrestricted expenditure.

Investment policy and performance

The Board 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 minimise risk associated with term deposits.

Remuneration of key management personnel

The remuneration level of key management personnel is decided by a Remuneration Committee, independent of those whose remuneration is being agreed. No member of key management personnel forms part of the committee that decides their individual level of remuneration. Remuneration is consistent with other UK academic salary structures for similar positions and the remuneration level agreed is based on the qualifications and experience of the specific individuals.

The SAMS Board

The members of the Board, 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 Board members and for a year after resignation. The Board is appointed in accordance with the Memorandum and Articles of Association, which allows Directors to serve a maximum of two consecutive 3-year terms.

The members of the Board during the year are listed on page 3.

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

Any member of SAMS can nominate a new trustee to serve on the SAMS Board. The SAMS Director has the responsibility to outline the duties and responsibilities to potential Directors. A new Director is nominated and seconded at the AGM. However, in line with SAMS' policy of openness and transparency, potential Directors must first be interviewed by a panel chaired by the SAMS Chair prior to final selection and appointment.

New Directors 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 Board now meets four times a year usually with the addition of an annual retreat. There are five sub-committees; Finance, Audit, Research, Enterprise and Innovation, Communications and Development and Education. In addition, there is a separate Board for SRSL. The SAMS Board, the SRSL 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, the Chief Executive of the SAMS Group.

Executive group

Management of the Charity is delegated by the Board to the Director and the SAMS Executive Group. The members of the Executive Group during the reporting period or at the date of this report were:

Prof Keith Davidson	Associate Director for Education
Mr David Guthrie	Head of Enterprise until April 2020
Ms Sue Johnson	Head of HR, appointed August 2018
Prof Axel E J Miller	Deputy Director
Prof Nicholas J P Owens	Director
Prof Michele Stanley	Associate Director for Research & Innovation, from April 2018
Mr Hugh Walker	Associate Director of Finance, from January 2019 until September 2019
Prof Ben Wilson	Associate Director for Research from April 2018

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 Board at the time of approving the directors' report are listed on page 3. Having made enquiries of fellow directors, 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 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 auditor is aware of that information.

Auditors

Saffery Champness LLP were appointed as auditor during the year.

The Board report, incorporating the strategic report is approved

.....
Chair of Board

Date: 28 October 2020

.....
SAMS Trustee

Date: 28 October 2020

The Members of Board (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 Directors 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 Directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 (FRS 102) as amended;
- 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 Directors 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 Trustee Investment (Scotland) Act 2005 and the 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Opinion

We have audited the financial statements of The Scottish Association for Marine Science for the year ended 31 March 2020 which comprise the group statement of financial activities, charity statement of financial activities, group balance sheet, charity balance sheet, group and charity statement of cash flows, 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 applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 affairs of the group and the parent charitable company as at 31 March 2020 and of the group and parent charitable company's incoming resources and application of resources, including its 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 requirements of 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).

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 parent 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

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 Board Report, incorporating 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 Board Report, incorporating the Strategic Report, and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Board Report, incorporating the Strategic Report, and the Directors' Report.

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

- proper and adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the group or 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.

Responsibilities of trustees

As explained more fully in the Statement of Board Responsibilities set out on page 17, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and the parent 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 trustees either intend to liquidate the group or the parent 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

We have been appointed as auditors under the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006, and report in accordance with regulations made under these Acts.

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**The Scottish Association for Marine Science
(A company limited by guarantee)**

Independent auditor's report (continued)

Charity number: SC009206

To the members and trustees of The Scottish Association for Marine Science Company number: SC009292

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's trustees, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters we are required 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 charitable company, the charitable company's members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

.....
Eunice McAdam (Senior Statutory Auditor)
for an on behalf of Saffery Champness LLP

Chartered Accountants
Statutory Auditors

.....
Kintail House
Beechwood Park
Inverness
IV2 3BW

Saffery Champness LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

The Scottish Association for Marine Science
(A company limited by guarantee)
Group statement of financial activities (including the income and
expenditure account)
For the year ended 31 March 2020

Charity number: SC009206
Company number: SC009292

	Note	Unrestricted funds £000	Restricted funds £000	2020 total £000	2019 total £000
Income from:					
Other trading activities	3a	1,684	6	1,690	1,672
Charitable activities	3c	1,881	7,426	9,307	8,580
Other income	3e	-	-	-	199
Total income		3,565	7,432	10,997	10,451
Expenditure on:					
Raising funds	4a	11	-	11	13
Charitable activities	5a	4,838	6,632	11,470	11,342
Total expenditure		4,849	6,632	11,481	11,355
Net income/(expenditure)		(1,284)	800	(484)	(904)
Transfers between funds	16	4,689	(4,689)	-	-
Other recognised gains/(losses):					
Pension surplus/(deficit)	19	743	-	743	(1,301)
Net movement in funds		4,148	(3,889)	259	(2,205)
Reconciliation of funds:					
Total funds brought forward		6,812	5,841	12,653	14,858
Total funds carried forward		10,960	1,952	12,912	12,653

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The Scottish Association for Marine Science
(A company limited by guarantee)
Charity statement of financial activities (including the income and
expenditure account)
For the year ended 31 March 2020

Charity number: SC009206
Company number: SC009292

	Note	Unrestricted funds £000	Restricted funds £000	2020 total £000	2019 total £000
Income from:					
Other trading activities	3a	329	6	335	304
Investments	3b	251	-	251	125
Charitable activities	3d	2,444	7,426	9,870	9,112
Other income	3e	-	-	-	42
Total income		3,024	7,432	10,456	9,583
Expenditure on:					
Raising funds	4b	10	-	10	11
Charitable activities	5b	4,251	6,632	10,883	10,775
Total expenditure		4,261	6,632	10,893	10,786
Net income/(expenditure)		(1,237)	800	(437)	(1,203)
Transfers between funds	16	4,689	(4,689)	-	-
Other recognised gains/(losses):					
Pension surplus/(deficit)	19	743	-	743	(1,301)
Net movement in funds		4,195	(3,889)	306	(2,504)
Reconciliation of funds:					
Total funds brought forward		6,471	5,841	12,312	14,816
Total funds carried forward		10,666	1,952	12,618	12,312

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The Scottish Association for Marine Science
(A company limited by guarantee)

Group balance sheet
As at 31 March 2020

Charity number: SC009206
Company number: SC009292

	Note	2020 £000	£000	2019 £000	£000
Fixed assets					
Tangible assets	10		15,704		16,062
Current assets					
Stocks		23		16	
Debtors	12	3,190		3,564	
Cash at bank and in hand		1,547		940	
		4,760		4,520	
Creditors: amounts falling due within one year	13	(5,936)		(5,626)	
Net current liabilities			(1,176)	(1,106)	
Net assets excluding pension liability			14,528	14,956	
Defined benefit pension scheme liability	14		(1,616)		(2,303)
Net assets			12,912	12,653	
Funds					
Unrestricted funds			10,960		6,812
Restricted funds	16		1,952		5,841
Total funds			12,912	12,653	

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

.....
Chair of Board

.....
SAMS Trustee

Date:

The Scottish Association for Marine Science
(A company limited by guarantee)

Charity balance sheet
As at 31 March 2020

Charity number: SC009206
Company number: SC009292

	Note	2020 £000	2019 £000
Fixed assets			
Tangible assets	10	15,689	16,051
Investments	11	39	39
		15,728	16,090
Current assets			
Stocks		7	7
Debtors	12	3,527	3,412
Cash at bank and in hand		970	570
		4,504	3,989
Creditors: amounts falling due within one year	13	(5,998)	(5,464)
Net current liabilities		(1,494)	(1,475)
Net assets excluding pension liability		14,234	14,615
Defined benefit pension scheme liability	14	(1,616)	(2,303)
Net assets		12,618	12,312
Funds			
Unrestricted funds		10,666	6,471
Restricted funds	16	1,952	5,841
Total funds		12,618	12,312

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

.....
Chair of Board

.....
SAMS Trustee

Date:

**The Scottish Association for Marine Science
(A company limited by guarantee)**

**Group and charity statement of cash flows
For the year ended 31 March 2020**

**Charity number: SC009206
Company number: SC009292**

	Note	Group 2020 £000	Group 2019 £000	Charity 2020 £000	Charity 2019 £000
Net cash inflow/(outflow) from operating activities	18	1,182	(95)	718	(157)
Cash flows from investing activities:					
Purchase of tangible fixed assets		(605)	(317)	(599)	(317)
Proceeds on disposal of fixed assets		30	-	30	-
Investment income		-	-	251	125
Net cash outflow from investing activities		(575)	(317)	(318)	(192)
Cash flows from financing activities:					
Loan repayments		-	(249)	-	(249)
Net cash outflow from financing activities		-	(249)	-	(249)
Net increase/(decrease) in cash and cash equivalents		607	(661)	400	(598)
Cash and cash equivalents at beginning of the year		940	1,601	570	1,168
Cash and cash equivalents at end of the year		1,547	940	970	570

1 Accounting policies

Company information

SAMS is a company limited by guarantee with charitable status, domiciled and incorporated in Scotland. The registered office is Scottish Marine Institute, Oban, Argyll, PA37 1QA.

The financial statements are prepared in sterling, which is the functional currency of the group. Monetary amounts in these financial statements are rounded to the nearest £'000.

1.1 Basis of preparation

These financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015 as amended) – (Charities SORP (FRS102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102), the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

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.

The SAMS Group meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost modified to include fair values where appropriate.

1.2 Going concern

SAMS strategy for 2020-2025 was released in July 2020. The Strategy shows how SAMS Group will direct research, education and enterprise to benefit society and the natural world.

The Directors consider that delivery of the Strategy will provide opportunities for the charity to improve its financial position and as a result the directors believe the charity will remain active into the future for at least 12 months from the approval date of the financial statements.

The COVID-19 pandemic has developed rapidly during 2020. In response to the restrictions imposed because of the COVID-19 pandemic, SAMS set up a Trustees COVID-19 Response Group. The group includes senior members of the board, and also representatives from HR and Finance who attend the meetings as required. The group meets on a regular basis and will keep SAMS Board informed of matters relating to the current COVID-19 crisis at SAMS. There have been four meetings the 20-21 financial year looking at the financial forecasts, including cashflow and updates on the various Government schemes covering loans, grants and incentives.

Going concern (continued)

SAMS Group has managed to maintain a good operating profit and cash position in the period to September 2020. The cash flow model prepared for the period to March 2022 is used to monitor performance closely. The cash flow model has been developed to include a comparison to the expected cash flow pre-COVID19 against the expected risks assessed as part of the restrictions currently in place. This is also measured monthly against actual cash balance and forecasts. The cash forecast remains in a positive position on a monthly basis throughout the period to 31 March 2022.

The monitoring of the financial situation by SAMS executive group and the Trustees COVID-19 Response Group includes any actions which will ensure the cash balance does not go into overdraft, reviewing the proposals being prepared and submitted for Research, Education and Enterprise to the various funders. There are also regular communications with SAMS main funders to ensure we are included in discussions and can participate in the additional funding available to the Universities and Research Institutes.

The directors have determined that the actions taken are sufficient to mitigate the uncertainty, as such the financial statements are prepared on a going concern basis.

1.3 Basis of consolidation

The consolidated statement of financial activities and balance sheet include the financial statements of SAMS and its subsidiary undertakings for the year ended 31 March 2020. Intra-group income, expenditure, surpluses and deficits are eliminated fully on consolidation.

1.4 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. Cost is calculated using the first in first out method. Net realisable value comprises the net sales price of stock.

1.5 Fixed assets

All tangible fixed assets are stated at cost less accumulated depreciation. 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 recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Property	15 - 50 years
Vessels and vehicles	5 - 30 years
Scientific instruments and equipment	2 - 20 years
IT and computer equipment	2 - 10 years
Fixtures and fittings	2 - 20 years

Fixed assets (continued)

Assets under construction are not depreciated. On completion the assets are transferred to the relevant asset category and depreciated accordingly.

At each reporting end date The SAMS Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

1.6 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.

1.7 Investments

Investments in subsidiaries and associates are all held at cost less impairment in the separate financial statements of the SAMS Group. Impairment is considered at each reporting end date. Any impairment is recognised in the Statement of Financial Activities.

1.8 Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the date of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the Statement of Financial Activities for the period.

1.9 Leasing commitments

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases. Rentals payable under operating leases are recognised on a straight-line basis over the term of the relevant lease.

1.10 Pensions

SAMS participates in the Universities Superannuation Scheme (USS). The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. SAMS 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. As required by Section 28 of FRS 102 "Employee benefits", SAMS therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since SAMS has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the recognised liability for the contributions payable that arises from the agreement (to the extent that they relate to the deficit) is therefore an expense and is recognised.

Pensions (continued)

All SAMS staff who were employed prior to 2001 were eligible to join a number of pension schemes encompassed within the Research Councils Pension Scheme (RCPS) which is administered centrally on behalf of all the UK Research Councils by the Joint Superannuation Service (JSS) of the National Research Council (NERC). There are several different schemes within the RCPS which have varying benefits and contributions. Further information in relation to these schemes is available from the Civil Service Pension Scheme (PCSPS) which are unfunded, with the benefits secured against future tax yields.

As with most public sector pension schemes, the RCPS schemes are multi-employer defined benefits schemes, where the employer is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. SAMS therefore for these older schemes treat them as if they were defined contribution schemes. These schemes are closed for all new staff.

All staff joining SAMS after 1 April 2017 were eligible to join a group personal pension scheme, The Peoples Pension Scheme (PPS). The assets of the scheme are invested with an insurance company and are held separately from those of the group.

Further details of the above schemes are given in note 19.

1.11 Income

Income represents NERC core grants receivable in the year, other research income receivable from outside bodies, teaching income through UHI and other miscellaneous income. Income is recorded when the charity becomes entitled, its receipt becomes probable and the amount can be measured reliably. Income includes funds receivable from government bodies, as defined in the SORP.

Other funds received of a revenue nature are recognised in income on a systematic basis over the periods in which SAMS recognises the related costs for which the income is intended to compensate. Grants and other funds that are subject to performance-related conditions are recognised to the extent that SAMS has obtained the right to consideration through its performance under its contracted obligations. Where performance-related conditions are unmet, amounts received in advance are recorded within payments received in advance (deferred income). Deferred income is released to income in the reporting period in which the performance-related or other conditions that limit recognition are met. The percentage of income received from out-with the UK is 22% (2019 - 22%).

1.12 Expenditure

Direct charitable expenditure represents the full cost of the research performed. It includes the cost of direct staff, consumable stocks, indirect costs, the cost of compliance with statutory and constitutional requirements and other 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 SAMS Group and recruitment of staff. Restructuring costs are recognised when the decision has been committed to and communicated formally to the relevant employee.

Expenditure (continued)

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received. All expenditure is recognised when there is a present legal or constructive obligation at the reporting date as a result of a past event, a transfer of economic benefits is probable and the amount can be measured or estimated reliably.

1.13 Financial assets

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' in full.

Financial assets are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets are initially measured at transaction price and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Financial assets - impairment

Financial assets are assessed for indicators of impairment at each reporting date.

Financial assets - derecognition

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.14 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand and deposits held at call with banks.

1.15 Financial liabilities

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' in full.

Financial liabilities are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument. Financial liabilities are classified into specified categories. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of recognition.

Financial liabilities (continued)

Basic financial liabilities are initially measured at transaction price and are subsequently carried at amortised using the effective interest rate method, 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 classified as payable within one year are not amortised.

Financial liabilities - derecognition

Financial liabilities are derecognised when the company's obligations are discharged, cancelled, or they expire.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the charity's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Pension deficit obligation

The calculation of the pension deficit obligation for SAMS involves judgements including the determination of discount rates, assumptions for salary inflation, staff changes, estimated retirement dates and mortality rates. These assumptions are based on the current environment and they may vary from year to year, which would affect the value of the obligation and impact on the net movement in funds in the SOFA. Pension deficit obligations, including the underlying assumptions, are reviewed and will continue to be reviewed by the directors on an annual basis. The carrying value of the pension deficit obligation at the year end is £1,616k (2019 - £2,303k).

Recoverability of intra-group balances and investments

The recoverability of balances arising from transactions between group entities and the carrying value of the investments held in subsidiary companies are subject to judgements and estimates of the future financial performance and financial position of each group entity. The directors regularly review the expected future performance of each company and have strategic business plans in place. The directors would provide against any balance they believe to be irrecoverable. The carrying value at company level at the year-end for investments in group companies is £39k and the net carrying value of intra-group balances is a debtor of £73k.

3a Income from other trading activities (group and charity)

Total group income from other trading activities was £1,690k (2019 - £1,672k) and total charity income from other trading activities was £335k (2019 - £304k). Included in group and charity income was restricted income of £6k (2019 - £nil).

3b Income from investments (group and company)

There was no group income from investments during the year or prior year. Company income from investments in the year consisted of profits of subsidiary SAMS Limited gift aided to SAMS of £251k (2019 - £125k).

3c Income from charitable activities (group)

	Unrestricted funds £000	Restricted funds £000	2020 total £000	2019 total £000
Education and knowledge transfer grants	652	974	1,626	1,973
Research income, national capability and facilities	1,017	6,452	7,469	6,458
Recompression SIMBA units and components	212	-	212	149
	<u>1,881</u>	<u>7,426</u>	<u>9,307</u>	<u>8,580</u>

Group income from charitable activities was £9,307k (2019 - £8,580k) of which £1,881k (2019 - £2,107k) was unrestricted and £7,426k (2019 - £6,473k) was restricted.

Government grants included in the income above are as follows:

	2020	2019
	£000	£000
United Kingdom Research & Innovation	3,149	2,764
European Union	1,378	1,161
Non-Departmental Public Bodies	206	107
Enterprises Schemes	282	158
Scottish Funding Council	1,916	2,267
	<u>6,931</u>	<u>6,457</u>

3d Income from charitable activities (charity)

	Unrestricted	Restricted	2020	2019
	funds	funds	total	total
	£000	£000	£000	£000
Education and knowledge transfer grants	652	974	1,626	1,973
Research income, national capability and facilities	1,792	6,452	8,244	7,139
	<u>2,444</u>	<u>7,426</u>	<u>9,870</u>	<u>9,112</u>

Charity income from charitable activities was £9,870k (2019 - £9,112k) of which £2,444k (2019 - £2,639k) was unrestricted and £7,426k (2019 - £6,473k) was restricted.

Government grants included in the income above are as follows:

	2020	2019
	£000	£000
United Kingdom Research & Innovation	3,149	2,764
European Union	1,312	1,135
Non-Departmental Public Bodies	206	107
Enterprises Schemes	282	158
Scottish Funding Council	1,916	2,267
	<u>6,865</u>	<u>6,431</u>

3e Other income

Group other unrestricted income consists of £nil (2019 - £114k, being funding received by the charity's subsidiary SRSL from the repatriation of monies held previously in Papua New Guinea, together with £43k RDEC receivable in respect of SRSL RDEC claims). Other restricted income for the group and the charity was £42k in respect of Highland and Island Enterprises grant contribution to the SAMS Development Strategy.

4a Expenditure on raising funds (group)

	Unrestricted funds £000	Restricted funds £000	2020 total £000	2019 total £000
Marketing, publications and newsletters	11	-	11	13

Expenditure on raising funds was £11k (2019 - £13k). This expenditure was unrestricted in full in both years.

4b Expenditure on raising funds (charity)

	Unrestricted funds £000	Restricted funds £000	2020 total £000	2019 total £000
Marketing, publications and newsletters	10	-	10	11

Expenditure on raising funds was £10k (2019 - £11k). This expenditure was unrestricted in full in both years.

5a Expenditure on charitable activities (group)

	Unrestricted funds £000	Restricted funds £000	2020 total £000	2019 total £000
Staff costs (note 8)	2,767	3,929	6,696	6,184
Governance costs	23	-	23	40
Other costs (everything other than governance and marketing)	2,048	2,703	4,751	5,118
	4,838	6,632	11,470	11,342
	4,838	6,632	11,470	11,342

Expenditure on charitable activities was £11,470k (2019 - £11,342k) of which £4,838k (2019 - £4,469k) was unrestricted and £6,632k (2019 - £6,873k) was restricted.

5b Expenditure on charitable activities (charity)

	Unrestricted funds £000	Restricted funds £000	2020 total £000	2019 total £000
Staff costs (note 8)	2,714	3,929	6,643	6,144
Governance costs	23	-	23	40
Other costs (everything other than governance and marketing)	1,514	2,703	4,217	4,591
	4,251	6,632	10,883	10,775
	4,251	6,632	10,883	10,775

Expenditure on charitable activities was £10,883k (2019 - £10,775k) of which £4,251k (2019 - £3,902k) was unrestricted and £6,632k (2019 - £6,873k) was restricted.

6 Net income/(expenditure) for the year

	Group 2020 £000	Group 2019 £000	Charity 2020 £000	Charity 2019 £000
This is stated after charging/crediting:				
Auditor remuneration:				
Audit services	21	19	14	13
Other services	5	2	3	1
Depreciation and (gains)/losses on disposals	933	981	931	954
Operating lease charges	40	41	7	10
Foreign exchange loss / (gain)	106	(22)	91	(15)

7 Remuneration of the members of the council and key management personnel

The non-executive Council Members received £6,278 (2019 - £7,190), in the form of reimbursable expenses, in total from SAMS during the year. The following Directors received remuneration:

		2020 £000	2019 £000
	<i>Committee</i>		
Mr John MacKerron	<i>Audit</i>	3	-
Mr Paul Brennan	<i>Audit</i>	-	3
Ms Hazel Allen	<i>Finance</i>	3	3
		<u>6</u>	<u>6</u>

The number of directors to whom retirement benefits are accruing is zero (2019 – zero).

Total employee benefits paid by the charity during the year in relation to key management personnel constituted:

	Group 2020 £000	Group 2019 £000	Charity 2020 £000	Charity 2019 £000
Key management personnel	943	894	943	894

There are no additional related party transactions to be disclosed.

8 Analysis of staff costs

	Group 2020 £000	Group 2019 £000	Charity 2020 £000	Charity 2019 £000
Wages and salaries	5,347	5,025	5,298	4,991
Social security costs	458	452	458	448
Pension costs	891	707	887	705
	<u>6,696</u>	<u>6,184</u>	<u>6,643</u>	<u>6,144</u>

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

	Group 2020 Number	Group 2019 Number	Charity 2020 Number	Charity 2019 Number
Administration	60	58	60	58
Research	55	56	53	53
Technical	72	67	72	67
	<u>187</u>	<u>181</u>	<u>185</u>	<u>178</u>

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

	2020 Number	2019 Number
£60,000 - £69,999	5	6
£70,000 - £79,999	-	1
£80,000 - £89,999	2	1
£110,000 - £119,999	-	1
£120,000 - £129,999	1	-
	<u>1</u>	<u>-</u>

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

9 Expenditure

	Group 2020 £000	Group 2019 £000	Charity 2020 £000	Charity 2019 £000
Activities in furtherance of charitable activities				
Administration	2,745	2,464	2,689	2,426
Research	2,879	2,764	2,882	2,762
Technical	1,014	956	1,014	956
	6,638	6,184	6,585	6,144
Scientific consumables	2,910	3,070	2,812	3,267
Support costs	1,643	1,688	1,209	1,184
Depreciation unfunded	290	387	287	168
Interest	-	26	-	23
Total	11,481	11,355	10,893	10,786
Support costs				
Utilities	499	474	421	380
Property maintenance, service and cleaning	130	216	130	215
Communications	28	19	28	19
Company Secretary, Finance and HR	200	197	197	195
Directorate	170	156	170	155
Health and safety	32	24	32	24
ITC costs	60	50	60	49
Library	25	52	25	52
Ocean Explorer Centre	3	8	3	8
Vehicles	8	6	6	12
Vessels	82	49	82	48
Other	406	437	55	27
Total	1,643	1,688	1,209	1,184

10 Tangible fixed assets (group)

	Assets under construction £000	Property £000	Vessels and vehicles £000	Fittings and equipment £000	Total £000
Cost					
At 1 April 2019	-	20,232	640	11,600	32,472
Additions	116	82	17	390	605
Transfer completed project	-	-	-	-	-
Disposals	-	-	(99)	-	(99)
At 31 March 2020	116	20,314	558	11,990	32,978
Depreciation					
At 1 April 2019	-	6,022	615	9,773	16,410
Charge for the year	-	410	8	545	963
On disposals	-	-	(99)	-	(99)
At 31 March 2020	-	6,432	524	10,318	17,274
Net book value					
At 31 March 2020	116	13,882	34	1,672	15,704
At 31 March 2019	-	14,210	25	1,827	16,062

10 Tangible fixed assets (charity)

	Assets under construction £000	Property £000	Vessels and vehicles £000	Fittings and equipment £000	Total £000
Cost					
At 1 April 2019	-	20,232	640	11,341	32,213
Additions	116	82	17	384	599
Transfer completed project	-	-	-	-	-
Disposals	-	-	(99)	-	(99)
At 31 March 2020	<u>116</u>	<u>20,314</u>	<u>558</u>	<u>11,725</u>	<u>32,713</u>
Depreciation					
At 1 April 2019	-	6,022	615	9,525	16,162
Charge for the year	-	410	8	543	961
On disposals	-	-	(99)	-	(99)
At 31 March 2020	<u>-</u>	<u>6,432</u>	<u>524</u>	<u>10,068</u>	<u>17,024</u>
Net book value					
At 31 March 2020	<u>116</u>	<u>13,882</u>	<u>34</u>	<u>1,657</u>	<u>15,689</u>
At 31 March 2019	<u>-</u>	<u>14,210</u>	<u>25</u>	<u>1,816</u>	<u>16,051</u>

The value of capital commitments at 31 March 2020 was £70k (2019 - £313k).

11 Investments

	Group 2020 £000	Group 2019 £000	Charity 2020 £000	Charity 2019 £000
Subsidiaries	-	-	39	39
Other fixed asset investment	-	-	-	-
	<u>-</u>	<u>-</u>	<u>39</u>	<u>39</u>

11 Investments (continued)

Other fixed asset investment (group)

	2020	2019
	£000	£000
Cost at 1 April	53	53
Impairment	(53)	(53)
Net book value at 31 March	<u>-</u>	<u>-</u>

Subsidiary undertakings (charity)

	<i>Voting holding</i>	<i>Shares held</i>	<i>Nature of business</i>
SAMS Research Services Limited (SC224404)	Ordinary shares	100%	Consultancy
The European Centre for Marine Biotechnology (SC205318)	Limited by guarantee	Sole member	Non trading
Scottish Marine Institute (SC394197)	Limited by guarantee	Sole member	Non trading
SAMS Limited (SC306912)	Ordinary shares	100%	Commercial

	<i>SAMS Research Services Limited</i>		<i>SAMS Limited</i>	
	2020	2019	2020	2019
	£000	£000	£000	£000
Turnover	1,448	1,439	140	140
Cost of sales	(1,227)	(1,077)	(50)	(57)
Gross profit	<u>221</u>	<u>362</u>	<u>90</u>	<u>83</u>
Administrative expenses	(130)	(23)	(10)	(40)
Profit before taxation	<u>91</u>	<u>339</u>	<u>80</u>	<u>43</u>
Tax on profit	31	43	-	-
Profit for the year	<u>122</u>	<u>382</u>	<u>80</u>	<u>43</u>
Net assets	<u>246</u>	<u>357</u>	<u>88</u>	<u>26</u>

The Scottish Association for Marine Science
(A company limited by guarantee)

Notes to the financial statements
For the year ended 31 March 2020

Charity number: SC009206
Company number: SC009292

12 Debtors

	Group	Group	Charity	Charity
	2020	2019	2020	2019
	£000	£000	£000	£000
Trade debtors	83	186	-	-
Prepayments and accrued income	2,464	2,200	2,440	2,200
Amounts owed by group undertakings	-	-	444	100
Other debtors	643	1,178	643	1,112
	<u>3,190</u>	<u>3,564</u>	<u>3,527</u>	<u>3,412</u>

13 Creditors: amounts falling due within one year

	Group	Group	Charity	Charity
	2020	2019	2020	2019
	£000	£000	£000	£000
Bank loan	-	-	-	-
Payments received in advance	4,652	4,249	4,438	4,114
Amounts owed to group undertakings	-	-	371	29
Taxation and social security	178	158	177	158
Sundry creditors and accruals	1,106	1,219	1,012	1,163
	<u>5,936</u>	<u>5,626</u>	<u>5,998</u>	<u>5,464</u>

There is a bank overdraft facility in place which is 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 Creditors: amounts falling due within one year (continued)

Analysis of payments received in advance:

	Brought forward £000	Released during the year £000	Deferred this year £000	Carried forward £000
Group				
2020	4,249	(4,179)	4,582	4,652
2019	3,290	(3,337)	4,296	4,249
Charity				
2020	4,114	(4,113)	4,437	4,438
2019	3,197	(3,309)	4,226	4,114

Payments in advance represent amounts received in relation to the core activities of the charity for which entitlement to the income falls in future periods.

14 Provisions for liabilities

	Group 2020 £000	Group 2019 £000	Charity 2020 £000	Charity 2019 £000
Pension deficit obligations (note 19)	1,616	2,303	1,616	2,303

15 Other financial commitments

At 31 March 2020 the company had commitments under non-cancellable operating leases as set out below:

	Group 2020 £000	Group 2019 £000	Charity 2020 £000	Charity 2019 £000
Within one year	38	38	3	7
Within two to five years	122	128	-	3
Later than five years	-	14	-	-
	160	180	3	10

16 Restricted funds

	At 1 April 2019 £000	Incoming resources £000	Outgoing resources £000	Transfers £000	At 31 March 2020 £000
Group					
Fixed asset funds	5,841	322	(678)	(4,689)	796
Research projects	-	7,110	(5,954)	-	1,156
	<u>5,841</u>	<u>7,432</u>	<u>(6,632)</u>	<u>(4,689)</u>	<u>1,952</u>
Charity					
Fixed asset funds	5,841	322	(678)	(4,689)	796
Research projects	-	7,110	(5,954)	-	1,156
	<u>5,841</u>	<u>7,432</u>	<u>(6,632)</u>	<u>(4,689)</u>	<u>1,952</u>
	At 1 April 2018 £000	Incoming resources £000	Outgoing resources £000	Transfers £000	At 31 March 2019 £000
Group					
Fixed asset funds	6,199	223	(581)	-	5,841
Research projects	-	6,292	(6,292)	-	-
	<u>6,199</u>	<u>6,515</u>	<u>(6,873)</u>	<u>-</u>	<u>5,841</u>
Charity					
Fixed asset funds	6,199	223	(581)	-	5,841
Research projects	-	6,292	(6,292)	-	-
	<u>6,199</u>	<u>6,515</u>	<u>(6,873)</u>	<u>-</u>	<u>5,841</u>

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.

Research Projects fund represents funding which has been received in relation to the completion of specific projects in accordance with the core activities of the charity.

The restricted reserve brought forward of £5,841k included £4,689k that has been maintained to match the required ERDF and Highlands and Islands Enterprise restricted funding for the Sheina Marshall Building. This restricted fixed asset reserve was required to be maintained until 31 December 2019 and was transferred to unrestricted reserves at 31 March 2020.

17 Analysis of net liabilities between funds

	Unrestricted funds £	Restricted funds £	Total £
Group (2020)			
Fixed assets	14,908	796	15,704
Net current liabilities	(2,332)	1,156	(1,176)
Long term liabilities	(1,616)	-	(1,616)
	10,960	1,952	12,912
Group (2019)			
Fixed assets	10,221	5,841	16,062
Net current liabilities	(1,106)	-	(1,106)
Long term liabilities	(2,303)	-	(2,303)
	6,812	5,841	12,653
Charity (2020)			
Fixed assets	14,932	796	15,728
Net current liabilities	(2,650)	1,156	(1,494)
Long term liabilities	(1,616)	-	(1,616)
	10,666	1,952	12,618
Charity (2019)			
Fixed assets	10,249	5,841	16,090
Net current liabilities	(1,475)	-	(1,475)
Long term liabilities	(2,303)	-	(2,303)
	6,471	5,841	12,312

18 Notes to the Statement of Cash Flows - cash generated from operations

	Group	Group	Charity	Charity
	2020	2019	2020	2019
	£000	£000	£000	£000
Net income/(expenditure)	(484)	(904)	(437)	(1,203)
Depreciation	963	934	961	929
(Gain)/loss on sales of asset	(30)	47	(30)	25
Defined benefit pension charge/(credit)	56	(77)	56	(77)
Decrease/(increase) in stock	(7)	(1)	-	3
Decrease/(increase) in debtors	374	(985)	(115)	(619)
(Decrease)/ increase in creditors	310	869	534	888
Interest paid	-	22	-	22
Investment income	-	-	(251)	(125)
Net cash inflow/(outflow) from operating activities	1,182	(95)	718	(157)

19 Pension commitments

All SAMS staff who were employed prior to 2001 were eligible to join a number of pension schemes encompassed within the Research Councils Pension Scheme (RCPS) which is administered centrally on behalf of all the UK Research Councils by the Joint Superannuation Service (JSS) of the National Research Council (NERC).

There are several different schemes within the RCPS which have varying benefits and contributions. Further information in relation to these schemes is available from the Civil Service Pension Scheme (PCSPS) which are unfunded, with the benefits secured against future tax yields.

As with most public sector pension schemes, the RCPS schemes are multi-employer defined benefits schemes, where the employer is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. SAMS therefore for these older schemes treat them as if they were defined contribution schemes. These schemes are closed for all new staff.

Employer contributions to JSS were £65k in the year, (2019 - £61k) There was no outstanding contributions at 31 March 2020 or 2019.

19 Pension commitments (continued)

All staff joining SAMS after 1 April 2017 were eligible to join a group personal pension scheme, The Peoples Pension Scheme (PPS) The assets of the scheme are invested with an insurance company and are held separately from those of the group.

During the year contributions payable by the group amounted to £92k (2019 - £56k) There were no outstanding contributions at 31 March 2020 or 2019.

SAMS participates in the Universities Superannuation Scheme and some senior research education and enterprise staff are eligible to join the University Superannuation Scheme.

The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. SAMS 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. As required by Section 28 of FRS 102 "Employee benefits", SAMS therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the statement of financial activities represents the contributions payable to the scheme.

SAMS 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 April 2019 the percentage was 19.5% rising to 21.1% from October 2019 (2019 - 18%).

The total cost charged to the statement of financial activities is £754k (2019 - £612k) included as part of note 5. There was neither a prepayment nor an accrual at the end of the financial year in respect of these contributions. Since SAMS cannot identify its share of Retirement Income Builder Section of the scheme assets and liabilities the following disclosures reflect those relevant for the Section as a whole.

Since SAMS has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, it recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

19 Pension commitments (continued)

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102. The directors are satisfied that Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the recovery plan in existence at the date of approving the financial statements.

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2020 is underway but not yet complete.

Since SAMS cannot identify its share of USS Retirement Income Builder assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole. The 2018 valuation was the fifth valuation for the scheme 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 £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in the Statement of Funding Principles.

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1-10: CPI +0.14% reducing linearly to CPI -0.73% Years 11-20: CPI + 2.52% reducing linearly to CPI + 1.55% by year 21 Years 21 +: CPI + 1.55%

19 Pension commitments (continued)

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are

2018 valuation mortality base table

Pre-retirement:	71% of AMCO0 (duration 0) for males and 112% of AFC00 (duration 0) for females
Post retirement:	97.6% of SAPS S1NMA "light" for males and 102.7% of RFV00 for females
Future improvements to mortality:	CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.

The current life expectancies on retirement at age 65 are:

	2020	2019
Males currently aged 65 (years)	24.4	24.6
Females currently aged 65 (years)	25.9	26.1
Males currently aged 45 (years)	26.3	26.6
Females currently aged 45 (years)	27.7	27.9

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%. The 2020 deficit recovery liability provision reflects this plan. The provision figures have been produced using the following assumptions as at 31 March 2019 and 2020.

	2020	2019
Discount rate	2.59%	2.44%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	4.20%	2.11%

In accordance with Section 28 of FRS 102, "Employee Benefits" SAMS has recognised a liability relating to its obligation towards funding the pension scheme deficit. In order to calculate the obligation SAMS has used a modeller created by the British Universities Finance Directors Group (BUFDG) with the support of USS. SAMS has entered the relevant assumptions into the modeller to calculate the present value of the obligation at the year-end date. The assumptions and other relevant information used include the discount rate of a high quality corporate bond, expected future salary inflation, expected future staff changes, current and future employers' contribution rates, current and future deficit contribution rates and base pensionable payroll amount. The obligation recognised on the balance sheet at 31 March 2020 amounted to £1,616k (2019 - £2,303k) and the current agreed Recovery Plan end date is 31 March 2031.

19 Pension commitments (continued)

The total cost charged to the Statement of Financial Activities is £687k credit (2019 - £1,246k) of which £743k credit (2019 - £1,301k) is disclosed for the charity and the group as other recognised gains and losses. A further £56k (2019 - £55k credit) of pension costs and interest is charged against expenditure on charitable activities.

20 Financial instruments

	Group 2020 £000	Group 2019 £000	Charity 2020 £000	Charity 2019 £000
<i>Carrying amount of financial assets</i>				
Measured at amortised cost	726	1,364	1,087	1,212
<i>Carrying amount of financial liabilities</i>				
Measured at amortised cost	1,106	1,219	1,383	1,192

Debt instruments measured at amortised cost comprises other debtors.

Liabilities measured at amortised cost comprises other creditors and accruals.

21 Related party transactions

SAMS is a constituent partner of the University of the Highlands and Islands (UHI). During the year ended 31 March 2020, income of £1,742,382 (2019 - £1,752,087) was received from UHI in relation to higher education activities and payments of £42,706 (2019 - £24,298) were made to UHI. Amounts due from UHI at 31 March 2020 were £232,898 (2019 - £270,335) and amounts due to UHI were £4,616 (2019 - £nil).

22 Post balance sheet events

Since March 2020, the spread of COVID-19 has impacted the UK and Scottish economy. The measures taken to contain the spread of the virus have resulted in serious disruption to businesses and an economic slowdown. SAMS Group is not immune to these impacts with its revenues and cashflow being impacted. The results for the first quarter of financial year 2020-21 shows SAMS group has managed to maintain a good operating profit and cash position, which are ahead of budget for the year to date.

SAMS has continued to operate throughout with appropriate safeguards in place to protect our staff and users. Use has been made of the Government Coronavirus Job Retention Scheme, where appropriate. The impact of the pandemic has been fully considered by the Board in making it's going concern assessment, further details of which are provided in note 1.2.