



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

**Directors' report and group financial statements  
for the year ended 31 March 2019**

**Registered number: SC009292**

**Scottish Charity number: SC009206**

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## The Scottish Association for Marine Science (SAMS)

### Company information

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#### 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 Professor G S Boulton	Trustee appointed December 2018 Trustee and President - completed tenure and stepped down December 2018
Sarah Brown Professor Colin Brownlee Lisa Chilton Mr I D Dunn	Trustee appointed December 2018 Trustee appointed December 2018 Trustee appointed December 2018 Trustee, appointed November 2016 appointed acting Chair December 2018 until March 2019
Professor Ailsa Hall Dr Deborah McNeill Diana Murray	Trustee appointed December 2018 Trustee appointed December 2018 Trustee & Substantive Chair appointed March 2019
Susan Watts Professor A W Tudhope	Trustee appointed December 2018 Trustee and Chair of Research & Enterprise Committee - completed tenure and stepped down in February 2019

Audit Committee	Mr P Brennan	Chair of Audit Committee appointed 4 July 2016 stepped down March 2019
	John MacKerron	Chair of Audit Committee appointed 1 August 2019
	Dr C Phillips	Appointed March 2016 and acting Chair from March 2019
	Professor B Ferrier	Appointed 16 November 2016

**Secretary** Professor A E J Miller

**Auditor** MHA Henderson  
Loggie  
Unit 8 The Vision Building  
20 Greenmarket  
Dundee  
DD1 4QB

**Bankers** Bank of Scotland  
Station Road  
Oban  
PA34 4LL

**Registered Office** Scottish Marine Institute  
Oban  
Argyll  
PA37 1QA

**Charity Number** SC009206

## **The Scottish Association for Marine Science (SAMS)**

### **Governing Council Report (incorporating the strategic report)**

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The Governing Council, 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 2019.

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 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, and 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 125 research and 34 commercial projects, resulting in 72 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.

Liz Cottier-Cook, Finlo Cottier and Michele Stanley were awarded Professorships of the University of the Highlands and Islands and Claire Gachon was awarded a Readership for their contributions to the furtherance of the aims of SAMS and the University.

Professor Mark Inall was elected a member of the Scottish Government's Science Advisory Council.

A major exercise to modernise SAMS Governance was undertaken. For the first time open advertisements were placed for Trustee positions and interviews conducted. SAMS is delighted with the wide range of expertise and diversity that resulted from this more open process.

Internally, SAMS restructured completely its science management structure. We created three coherent science areas, each with a leader and co-leader charged with developing the science within a SAMS wide context. The new management structure was enhanced by the appointment of two new Associate Director positions to add to the existing Associate Director.

These management changes and the modernisation of SAMS Governance were key elements of the first stage of the SAMS Institutional Reform and Development Plan (IRDP). The IRDP project was strengthened by the appointment of a project manager and the establishment of a project board – the so called "Futures Group".

SAMS invested significantly to ensure compliance with the General Data Protection Regulations (GDPR) including the employment of a dedicated GDPR officer.

SAMS continued to focus on the Arctic region, and carried out 3 cruises in 6 months, spending 48 days at sea and covering 5400 miles. 83°N was the furthest north attained.

SAMS research on micro-plastics was significantly enhanced through the generous philanthropic gift of a state-of-the art instrument to measure plastics.

SAMS withdrew its in-house capacity for diving which was taken over by the formation of Tritonia Ltd, which has remained at the SAMS campus.

The University of the Highlands and Islands, of which SAMS is a Founding Partner, was awarded Research Degree Awarding Powers. The SAMS MSc in Algal Biotechnology was revalidated; however the MSc run jointly with St Andrews University was ended. The applied aquaculture MSc, run jointly with the Universities of Nantes and Crete had its funding renewed for a further three years.

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.

The SAMS group maintains four corporate websites: [www.sams.ac.uk](http://www.sams.ac.uk); [www.ccap.ac.uk](http://www.ccap.ac.uk); [www.oceanexplorercentre.org](http://www.oceanexplorercentre.org) and [www.srsl.com](http://www.srsl.com). During the reporting period these had a total of 122,538 session visits (345,200 pageviews). Most popular were the SAMS homepage, followed in decreasing order the CCap homepage, the SAMS 'about us,' 'webcams' and 'undergraduate' pages. SAMS also hosts, develops and maintains numerous project websites and data sites.

**Strategic report (continued)**

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

- Twitter (@ScotMarineInst): **9,069** (2017/18 - 7,690) (scientists, decision makers)
- Facebook (SAMS.Marine): **4,937** (2017/18 - 3,806) (staff, students, alumni, families, friends and locals)
- LinkedIn (scottish-association-for-marine-science): **3,606** (2017/18 - 2,648) (business and recruitment)
- Instagram (samsmarinescience): **800** (2017/18 – 469) (students and young people)
- YouTube (SAMSmarinescience): **341** (2017/18 – 256) subscribers, 122 videos uploaded (30 new) (general)

SAMS achieved 161 direct media mentions covering press, radio, television and digital news outlets. This included 19 mentions on BBC channels (12%). The overall figure of media mentions is substantially lower than in the previous year (372) due to more concentrated distribution and exclusives to targeted outlets, more news going straight to social media rather than through the traditional media and more effort spent on direct communication (visits, tours, events).

The figure does not include >300 media placements achieved by a story of the increasing influence for global climate change of the ocean current system known as the Atlantic Meridional Overturning Circulation (AMOC). The group around Professor Stuart Cunningham had contributed to the research significantly but as they were not lead authors of the publication, SAMS was not directly mentioned.

Our Ocean Explorer visitor and outreach centre welcomed 4,474 visitors. We continued to provide workshops for visiting schools and to deliver workshops in schools we visit ourselves: in the reporting period we provided 24 workshops, reaching 539 pupils from mostly primary schools but including secondary, nursery and special needs groups as well as home-schooled children. Additionally, we developed and delivered six events at the centre and attended external events like the Oban Games with activity stands.

A particular public engagement highlight was the NERC-funded 'Future of Our Seas' project. Collaborating with eight partners from UK marine research, engagement, advocacy and environmental arts organisations FOOS trained 24 marine scientists to engage people in vibrant, two-way conversations about the future of our seas. After two three-day-training programmes, one held in Plymouth and one in Oban, 16 novel activities were developed by the participants with the support of 35 community partners. During West Highland Yachting Week on 30-31 July 2018 the project put on a public event at Station Square in Oban to allow the young scientists to deliver their activities and learn from the live experience. One particularly successful activity exploring underwater soundscapes of the west coast of Scotland that was developed by SAMS PhD student Charlotte Findlay is currently being turned into a new display for the Ocean Explorer Centre by artist partners from the Templar Arts and Leisure Centre.



## Financial Review

The SAMS Group made a deficit of £2,205k (2017/18 surplus of £1,031k), of which £1,301k was a pension deficit (2017/18 - £198k surplus). The SAMS Group has recognised a large increase in respect of the provision for the Universities Superannuation Scheme (USS) pension to £2,303k (2018 -£1,057k). This increase in provision of £1,246k (2017/18 £255k decrease) reflects the impact of the deficit as determined by the 2017 triennial actuarial valuation of the USS liability. This outturn included non-recurring income amounting to £157k in 2018/19. £114k was attributable to the repatriation of a substantial part of a bank balance held in Papua New Guinea, the balance was fully provided for in prior years, the provision was released this year on receipt of funds. In addition, £43k was received in respect of a claim for backdated research and development tax credits (2017/18 - £834k non-recurring income reflects the receipt of backdated research and development tax credits).

Excluding the movements in pension provision recognised as Other gains and losses the organisation made an overall deficit from operations of £904k (2018 - surplus £833k). The reduction is a reflection of a fall in grant income and less income than expected from other sources.

The Group benefited from the positive contribution from SRSL of £382k, or £269k net of the repatriation of Kina, this is compared to £283k in 2017/18. A reduction in turnover for SRSL was incurred due to a delay in sales planned for 2018/19 however carried forward to next year. The subsidiary continued to make good progress, complementing the Science activities carried out across the group. SAMS Limited also contributed a net surplus of £43k (2017/18 80k).

Cash flows across the Group amounted to a reduction of £661k, (2017/18-£180k).

SAMS has continued to deliver the Institutional Reform & Development Plan (IRDP). The IRDP lays out a two-phase transformation of SAMS to achieve long-term sustainability. The first phase focused on immediate rebalancing and consolidation, incorporating many interventions, the majority of which are nearing completion. The second phase builds on the first to develop SAMS' activities, resource-base and influence in science, enterprise, education and outreach. Together with key partners, SAMS will further enhance the delivery of our vision of conducting world-class science whilst contributing to education, policy and public action to secure healthy and sustainable oceans.

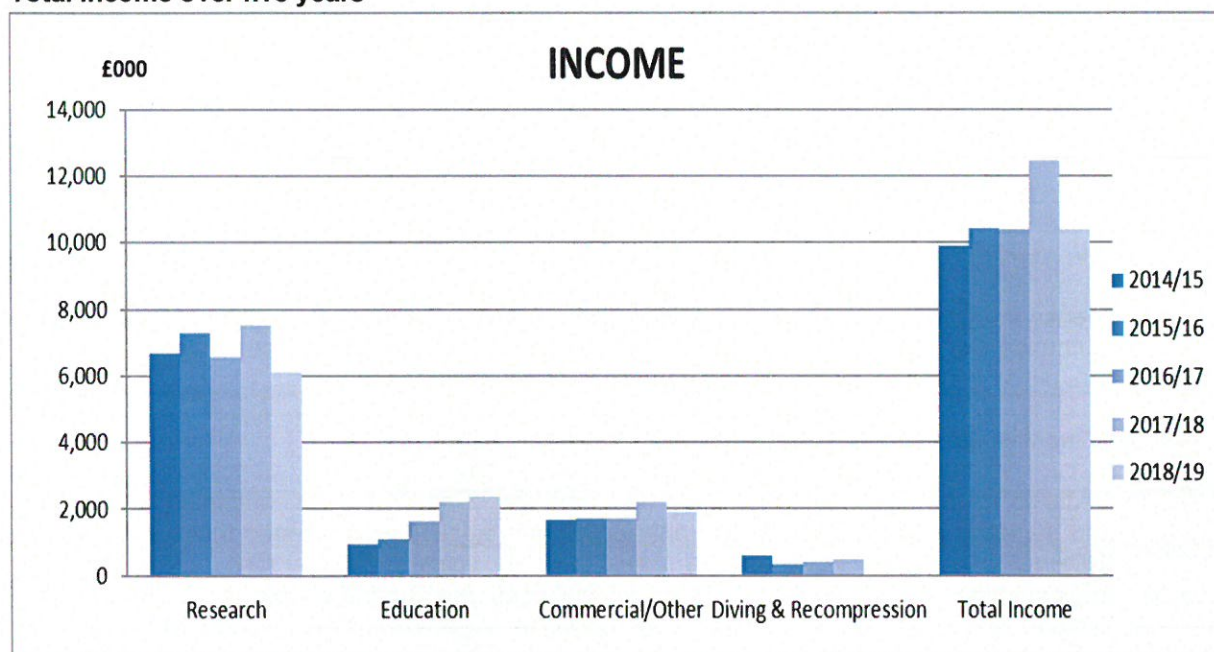
The key financial elements of the IRDP phase 1 include:

- Reduction in the salary overhead – a programme of redundancies was completed during 2017/18 and the early part of 2018/19. The anticipated annual savings exceeded those included in the IRDP.
- Implementing robust financial and wider business management, information and reporting systems, including new automated reporting of management accounts and real time reporting, contract management and further variance and project management systems have been successfully implemented. Training has been delivered to all staff in the operation of the new systems.
- Strategic Cost reviews and close monitoring of the establishment, with the target of maintaining staff costs within 60% of total income – this was achieved in the current year.
- Improved Overhead Recovery on projects – exercise completed with financial benefits in future years.
- The changes emanating from the IRDP also resulted in procurement savings exceeding targets for the organisation

## Financial Review (continued)

Financial Summary	2018/19 £000	2017/18 £000	Change %
Summary			
Operating Income	10,252	12,069	(15%)
Operating Expenditure excluding grant funded depreciation	(10,558)	(11,611)	(9%)
Operating Surplus/(Deficit) before other income	(306)	458	
Other income	199	1,211	
Pension Deficit Obligation	(1,301)	198	
Depreciation funded by grants received in previous years	(797)	(836)	
(Deficit)/ Surplus transferred to reserves	(2,205)	1031	

## Total income over five years



## Research grants and contracts

	2014/15	2015/16	2016/17	2017/18	2018/19
	£000	£000	£000	£000	£000
<b>Research income</b>					
<b>NERC (including National Capability)</b>	<b>2,949</b>	<b>3,472</b>	<b>2,947</b>	<b>2,882</b>	<b>2,738</b>
<b>EU</b>	<b>920</b>	<b>1,111</b>	<b>1,184</b>	<b>1,237</b>	<b>982</b>
<b>Other</b>	<b>1,726</b>	<b>2,154</b>	<b>1,724</b>	<b>2,271</b>	<b>1,257</b>
<b>REG</b>	<b>1080</b>	<b>833</b>	<b>1123</b>	<b>1146</b>	<b>1143</b>
<b>Total research income</b>	<b>6,675</b>	<b>7,570</b>	<b>6,978</b>	<b>7,536</b>	<b>6,120</b>

Income from research grants and contracts reduced during the year by 18% (2018 increase by 8%)  
Overall NERC Income has decreased by 5% (2018 - 2.2%)



**Strategic report (continued)**

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**Research grants and contracts (continued)**

The decline in income for EU Grants this year in comparison to 2017/18 was as a result of a large grant Aquaspace which was coordinated by SAMS which ended in 2017/18. In addition, a large EU project which was successful in 2018/19 followed the Principal Investigator to his new Institute.

There was a slight decline in NERC grant income due to delays in confirming the start dates for some successful grants in 2018/19.

Other grant income declined by 44%, which included the end of projects coordinated by SAMS and large grants ending which were funded by Norwegian Partners. There was also a decline in income from government departments and agencies.

The Research Excellence Grant (REG) remained largely unchanged at £1,143k compared to 2017/18. 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 29% (2018 - 20%) 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 122 for the academic year 18/19 (112 - 17/18) generating an income of £588k (2016/17 £519k). 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 continue to show growth with 40 students at March 2019 (38 - March 2018) with an income of £890k (2017/18 £615k).

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 including University of East Anglia and Coastal Carolina University, making use of SAMS educational facilities at times of lower demand from our own students.

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



## Enterprise

SAMS' subsidiary SAMS Research Services Ltd (SRSL) which accounts for most of SAMS commercial activity, has had a very successful year, achieving a surplus of £339k (2017/18 £283k). This surplus was achieved by strong business performance and the repatriation of £114k held under exchange controls in Papua New Guinea and subsequently the release of part of a provision made in 2018. £44k of the remaining provision has been carried forward at the year end. SRSL has not undertaken work in that country during 2018/19.

Turnover of £1,439k (2017/18 £1,825k) was achieved in the year and although this is less than the prior year this was largely a result of delays in the start dates of confirmed projects and postponement of pipeline work with a very high level of conversion. This work will now either be fulfilled in the current FY19/20 year or will be fulfilled at an estimated level of 80%. 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 is focused on building sustainable revenue streams in parallel with core consultancy work. With sustainable, repeatable business in both service and products, the business will be very much more predictable and manageable, reducing competing demand on scientists' time from research and enterprise activity and allowing for a more selective approach on core consultancy identifying higher margin business.

In the past year, significant progress has been made in sustainable business generation. We have successfully commercialised our aquaculture modelling software *NewDEPOMOD* 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 SAMS-developed sea lice connectivity modelling, we have achieved a position where this modelling is now a Marine Scotland requirement in the aquaculture consenting process and we are delivering this service to Scottish fish farmers.

Additionally, we have commercialised our seaweed hatchery supplying seaweed 'seed' to a growing number of seaweed farmers, we are delivering a marine growth assessment service to both the oil and gas decommissioning and marine renewables markets and alongside the continued supply of our sea ice monitoring equipment, SIMBA to the polar ice research market – we are taking 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. Each of these 5 new business areas represent growing markets and the opportunity of repeat, sustainable, profitable and predictable business.

Finally, to achieve our business objectives and ensure SRSL delivers to the needs and expectations of its customers, SRSL continues to operate and manage a Quality Management System (QMS) that is compliant, and accredited, to ISO9001 and ISO17025. The QMS is integrated within the business operation and aims at developing and improving our internal processes and procedures ensuring a focus on customer's 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 59% (2017/18 - 59%) of operational income. Total staff costs for the year amount to £6,200k (2017/18 £7,100k). 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 from a number of sources. As an academic Partner of the University of the Highlands and Islands (UHI) money directed by the Scottish Funding Council (SFC) was used to complete the reconfiguration of laboratory roof space to replace the main chiller units.



**Strategic report (continued)**

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**Plans for Future Periods**

For Research our key objective for the next year is to embed the three strategic science areas: Ocean Systems; Dynamic Coasts; Blue Economy, together with the new science leadership and line management structure designed to deliver it. We continue to aim for the highest possible quality publications in order to maximise income from the next Research Excellence Framework (REG).

For Education our ambitious target to increase our undergraduate numbers to 160 remains. We will enhance our marketing campaign including enhancing our digital presence.

Our Education income will continue to be enhanced through our partnership with the University of the Highlands and Islands. We also continue to look to the possible opportunities afforded by our relationship with other partners to increase our Masters provision, where we are actively pursuing new degrees in robotics, and aquaculture.

Our commercial enterprise continues to develop positively. Focus will continue on the cost efficiency of operations, and the development of business within the five key target market sectors – alongside a strategic direction in the exploitation of research output and competencies where we see market potential and demand, to build new revenue streams each of which can provide sustainable business year on year. Building a sustainable, repeatable business is a high level objective, which has shown early promise this year.

We will continue to develop increasing alignment and strong working relationships between research and enterprise improving the synergies and ability to exploit 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 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 Governing 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 Governing Council is guided by the Audit Committee, which oversees our control mechanisms.
  - The SAMS risk register is maintained by the Executive Group and a strategic risk summary is discussed at Governing Council. In addition, each relevant sub-committee maintains and reviews risk registers relevant to their terms of reference.

**Strategic report (continued)**

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- 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;
  - plan and delivery of ongoing partnerships with other Education and Research providers,
  - continued innovation in areas of Research, Education and Enterprise,
  - improved leadership skills delivery programme,
  - enhanced governance section and operation.

**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 Governing Council has set the target of maintaining cash reserves at a minimum level of 2 months salary bill (March 2019 - £1,030k)

The total funds held by The SAMS Group at the year-end amount to £12,653k (2018 - £14,858k). This consists of unrestricted funds in surplus of £6,812k (2018 - surplus £8,659k), and restricted funds of £5,841k (2018 - £6,199k).

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 Governing Council has noted the net current liabilities of £1,106k (2018 - £811k) which are considered part of the unrestricted funds obligation. SAMS is satisfied that this does not affect the sustainability of the Group. The requirement to maintain £4,805k of the restricted funds associated with funding for the Sheina Marshal Building will cease on 31 December 2019 at which stage this amount will be transferred to unrestricted funds. The unrestricted reserves not invested in fixed assets amount to £3,409k deficit (2018 - deficit £1,868k) this includes the pension fund deficit of £2,303k (2018 - £1,057k). 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 Governing 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 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.

### Directors' report

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#### The Governing Council

The members of the Governing 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 Governing Council members and for a year after resignation. The Governing Council 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 Governing Council during the year are listed on page 1.

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 Governing Council meetings.

Any member of SAMS can nominate a new trustee to serve on Governing Council. 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.

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 Governing Council now meets four times a year usually with the addition of an annual retreat. There are four sub-committees; Finance, Audit, Research and Enterprise, and Education. In addition there is a separate Board for SRSL. The SAMS Governing Council, 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 Governing Council 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
Ms Sue Johnson	Head of HR, appointed August 2018
Mr John MacKerron	Associate Director of Finance until November 2018
Prof Axel Miller	Deputy Director
Prof Nicholas J P Owens	Director
Professor Michele Stanley	Associate Director for Research & Innovation, from April 2018
Hugh Walker	Associate Director of Finance, from January 2019
Professor Ben Wilson	Associate Director for Research from April 2018

Directors' report (continued)

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**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 Governing Council at the time of approving the directors' report are listed on page 1. 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**

MHA Henderson Loggie was re-appointed as auditor by members at the Annual General Meeting in December 2018. They have intimated their intention to resign as auditor on completion of the audit of the financial statements for the year ended 31 March 2019 and a formal tender process for a new auditor will commence from this date.

The Governing Council Report, incorporating the Strategic Report is approved.

Chair of Governing Council

Date: 6 September 2019



SAMS Trustee

Date: 6 September 2019



**Statement of Governing Council's responsibilities in respect of the financial statements**

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The Members of Governing 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 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.



## Independent Auditor's Report to the Trustees and Members of The Scottish Association for Marine Science

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### Opinion

We have audited the financial statements of The Scottish Association for Marine Science (the 'parent charitable company' and its subsidiaries) for the year ended 31 March 2019 which comprise the group and parent charitable company statement of financial activities, group and charitable company balance sheets, the group and charitable company cash flow statements 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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 31 March 2019 and of the group'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 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 of 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 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 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 other information comprises the information included in the Governing Council Report, incorporating the Strategic Report, and Directors' Report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.



**Independent Auditor's Report to the Trustees and Members of The Scottish Association for Marine Science (continued)**

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

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

- the information given in the Governing Council Report, incorporating the Strategic Report, and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Governing Council Report, incorporating the Strategic Report, and 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 the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Governing Council Report, incorporating the Strategic Report, and Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- 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 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 Governing Council Responsibilities, the trustees 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 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 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 auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder

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

## **The Scottish Association for Marine Science (SAMS)**

### **Independent Auditor's Report to the Trustees and Members of The Scottish Association for Marine Science (continued)**

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

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's trustees, as a body, in accordance with Section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the members and the charity's 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 charity, its members as a body and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

**Stephen Cartwright (Senior Statutory Auditor)**  
**For and on behalf of MHA Henderson Loggie**  
**Chartered Accountants & Statutory Auditor**  
**Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006**  
The Vision Building  
20 Greenmarket  
Dundee  
DD1 4QB

.....

MHA Henderson Loggie is a trading name of Henderson Loggie LLP

The Scottish Association for Marine Science (SAMS)

Group statement of financial activities (incorporating the income and expenditure account) for the year ended 31 March 2019

	Note	Unrestricted Funds 2019 £,000	Restricted funds 2019 £,000	Total funds 2019 £,000	Total funds 2018 £,000
<b>Income</b>					
Other trading activities	2a	1,672	-	1,672	2,023
Charitable activities	2c	2,107	6,473	8,580	10,046
Other income	2e	157	42	199	1,211
<b>Total income</b>		<b>3,936</b>	<b>6,515</b>	<b>10,451</b>	<b>13,280</b>
<b>Expenditure</b>					
Raising funds	3a	13	-	13	12
Charitable activities	4a	4,469	6,873	11,342	12,435
<b>Total expenditure</b>		<b>4,482</b>	<b>6,873</b>	<b>11,355</b>	<b>12,447</b>
<b>Net income/(expenditure)</b>		<b>(546)</b>	<b>(358)</b>	<b>(904)</b>	<b>833</b>
<b>Transfer between funds</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other recognised gains/(losses)</b>					
Pension deficit obligation	14	(1,301)	-	(1,301)	198
<b>Net movement in funds</b>		<b>(1,847)</b>	<b>(358)</b>	<b>(2,205)</b>	<b>1,031</b>
<b>Reconciliation of funds</b>					
Fund balance brought forward as at 1 April 2018		8,659	6,199	14,858	13,827
<b>Total funds carried forward</b>					
As at 31 March 2019		<b>6,812</b> =====	<b>5,841</b> =====	<b>12,653</b> =====	<b>14,858</b> =====

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



The Scottish Association for Marine Science (SAMS)

Charity statement of financial activities (including income and expenditure account) for the year ended 31 March 2019

	Note	Unrestricted funds 2019 £,000	Restricted funds 2019 £,000	Total funds 2019 £,000	Total funds 2018 £,000
<b>Income from:</b>					
Other trading activities	2a	304	-	304	306
Investments	2b	125	-	125	-
Charitable activities	2d	2,639	6,473	9,112	10,396
Other income	2e		42	42	1,211
<b>Total income</b>		<b>3,068</b>	<b>6,515</b>	<b>9,583</b>	<b>11,913</b>
<b>Expenditure</b>					
Raising funds	3b	11	-	11	11
Charitable activities	4b	3,902	6,873	10,775	11,430
<b>Total expenditure</b>		<b>3,913</b>	<b>6,873</b>	<b>10,786</b>	<b>11,441</b>
<b>Net income/(expenditure)</b>		<b>(845)</b>	<b>(358)</b>	<b>(1,203)</b>	<b>472</b>
<b>Transfer between funds</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other recognised gains/(losses)</b>					
Pension deficit obligation	14	(1,301)	-	(1,301)	198
<b>Net movement in funds</b>		<b>(2,146)</b>	<b>(358)</b>	<b>(2,504)</b>	<b>670</b>
<b>Reconciliation of funds</b>					
Fund balance brought forward as at 1 April 2018		8,617	6,199	14,816	14,146
<b>Total funds carried forward</b>		<b>6,471</b>	<b>5,841</b>	<b>12,312</b>	<b>14,816</b>
As at 31 March 2019		=====	=====	=====	=====

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

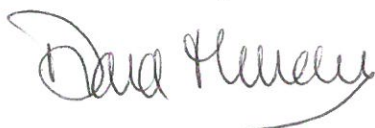
The Scottish Association for Marine Science (SAMS)

Group balance sheet as at 31 March 2019

	note	March 2019 £,000	March 2018 £,000
<b>Fixed assets</b>			
Tangible assets	9	16,062	16,726
Investments	10	-	-
		<u>16,062</u>	<u>16,726</u>
<b>Current assets</b>			
Cash at bank and in hand		940	1,601
Debtors	11	3,564	2,579
Stocks		16	15
		<u>4,520</u>	<u>4,195</u>
<b>Total current assets</b>		<b>4,520</b>	<b>4,195</b>
<b>Creditors: amounts falling due within one year</b>	12	<b>(5,626)</b>	<b>(5,006)</b>
		<u>(1,106)</u>	<u>(811)</u>
Net current liabilities			
		<u>14,956</u>	<u>15,915</u>
<b>Total assets less current liabilities</b>		<b>14,956</b>	<b>15,915</b>
<b>Creditors: amounts falling due more than one year</b>			
Loans	13	-	-
<b>Provisions for liabilities</b>	14	<b>(2,303)</b>	<b>(1,057)</b>
		<u>12,653</u>	<u>14,858</u>
<b>Total net assets</b>		<b>12,653</b>	<b>14,858</b>
		=====	=====
<b>Funds of the charity</b>			
Restricted funds	16a	5,841	6,199
Unrestricted funds		6,812	8,659
Unrestricted designated funds	16b	-	-
		<u>12,653</u>	<u>14,858</u>
<b>Total charity funds</b>		<b>12,653</b>	<b>14,858</b>
		=====	=====

These financial statements were approved and authorised for issue by the council on .....  
2019 and were signed on its behalf by:

Chair of Governing Council



SAMS Trustee





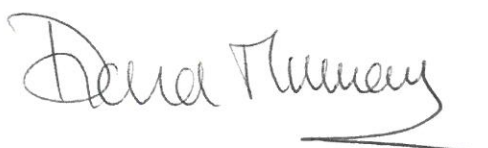
# The Scottish Association for Marine Science (SAMS)

## Charity balance sheet as at 31 March 2019

	Note	March 2019 £,000	March 2018 £,000
<b>Fixed assets</b>			
Tangible assets	9	16,051	16,688
Investments	10	39	39
		<u>16,090</u>	<u>16,727</u>
<b>Current assets</b>			
Cash at bank and in hand		570	1,168
Debtors	11	3,412	2,793
Stocks		7	10
		<u>3,989</u>	<u>3,971</u>
<b>Total current assets</b>		<b>3,989</b>	<b>3,971</b>
<b>Creditors: amounts falling due within one year</b>	12	<b>(5,464)</b>	<b>(4,825)</b>
		<u>(1,475)</u>	<u>(854)</u>
Net current liabilities			
Total assets less current liabilities		<b>14,615</b>	<b>15,873</b>
<b>Creditors: amount falling due after more than one year</b>			
Loans	13	-	-
<b>Provisions for liabilities</b>	14	<b>(2,303)</b>	<b>(1,057)</b>
		<u>12,312</u>	<u>14,816</u>
<b>Total net assets</b>		<b>12,312</b>	<b>14,816</b>
		=====	=====
<b>Funds of the charity</b>			
Restricted funds	16a	5,841	6,199
Unrestricted funds		6,471	8,617
Unrestricted designated funds	16b	-	-
		<u>12,312</u>	<u>14,816</u>
<b>Total charity funds</b>		<b>12,312</b>	<b>14,816</b>
		=====	=====

These financial statements were approved and authorised for issue by the council on .....  
2019 and were signed on its behalf by:

Chair of Governing Council



SAMS Trustee



The Scottish Association for Marine Science (SAMS)

Group and charity statement of cash flows for the year ended 31 March 2019

	Note	Group 2019 £,000	Group 2018 £,000	Charity 2019 £,000	Charity 2018 £,000
<b>Net cash inflow/(outflow) from operating activities</b>	18	<b>(95)</b>	1,077	<b>(157)</b>	1,302
<b>Cash flows from investing activities</b>					
Purchase of tangible fixed assets		<b>(317)</b>	(983)	<b>(317)</b>	(983)
Investment income		-	-	<b>125</b>	-
Net cash inflow/(outflow) from investing activities		<b>(317)</b>	(983)	<b>(192)</b>	(983)
<b>Cash flows from financing activities</b>					
Loan repayments		<b>(249)</b>	(274)	<b>(249)</b>	(274)
Net cash inflow/(outflow) from financing activities		<b>(249)</b>	(274)	<b>(249)</b>	(274)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(661)</b>	(180)	<b>(598)</b>	45
Cash and cash equivalents at beginning of the year		<b>1,601</b>	1,781	<b>1,168</b>	1,123
<b>Cash and cash equivalents at end of year</b>		<b>940</b>	1,601	<b>570</b>	1,168
		=====	=====	=====	=====



## 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.

### Accounting convention

#### 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.

#### Going concern

The SAMS Group has continued to deliver the Institutional Reform and Development Plan (IRDP) which was prepared in 2018 and is identified as key to the Organisation's future. Failure to deliver on this plan, in particular the rebalancing phase and the expansion of income, was a principal risk.

The Governing Council appointed project committee. This committee has overseen the successful delivery of the initial rebalancing phase, including:

- Reduction in salaries through a programme of redundancies with anticipated savings exceeding those included in the IRDP, together with tight ongoing monitoring of the establishment.
- Implementing a robust budget together with improved controls and reporting.
- The implementation of a new project system which enables close review of all work.
- Improved overhead recovery agreed with key funder.
- Continued monthly monitoring of cash delivery against a revised 3-year cash model.
- The commencement of a greater emphasis on alternate funding sources through SRSL and fundraising

A 3-year cash flow model covering the period to March 2022 has been developed since the year end and performance against this is closely monitored.

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. As such the financial statements should be and are prepared on a going concern basis.

Notes to the financial statements (continued)

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**1 Accounting policies (continued)**

**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 2019. Intra-group income, expenditure, surpluses and deficits are eliminated fully on consolidation.

**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.

**Tangible 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 & Vehicles	5-30 years
Scientific instruments and equipment	2-20 years
IT & Computer equipment	2-10 years
Fixtures and fittings	2-20 years
Asset under construction	Not depreciated – on completion the assets are transferred to the relevant asset category and depreciated accordingly.

**Impairment of tangible fixed assets**

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.

**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 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 Accounting policies (continued)**

**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.

**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.

**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.

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. Accounting policies (continued)**

**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% (2018 - 23%).

**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.

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 Accounting policies (continued)**

**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.

**Cash and cash equivalents**

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

Notes to the financial statements (continued)

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**1 Accounting policies (continued)**

**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.

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.

**Critical accounting estimates and judgements**

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, if the revision affects only that period, or in the period of the revision and future periods if 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 values of assets and liabilities are noted below.

**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 £2,303k.



**1 Accounting policies (continued)**

**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 £9k.

**2a Income from other trading activities**

Total group income from other trading activities was £1,672k (2018 - £2,023k) and total charity income from other trading activities was £304k (2018 - £306k). This income was unrestricted in full in both years.

**2b Income from investments**

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 £125k (2018 - Nil).

**2c Group income from charitable activities**

	Unrestricted			Total	Total
	General	Designated	Restricted	funds	funds
	funds	Funds	funds	2019	2018
	2019	2019	2019	2019	2018
	£,000	£,000	£,000	£,000	£,000
Education and knowledge transfer grants	647	-	1,326	1,973	1,783
Research income, national capability and facilities	1,311	-	5,147	6,458	7,790
Recompression	-	-	-	-	256
SIMBA units and components	149	-	-	149	217
	<u>2,107</u>	<u>-</u>	<u>6,473</u>	<u>8,580</u>	<u>10,046</u>
	=====	=====	=====	=====	=====
2018	2,588	357	7,101	10,046	
	=====	=====	=====	=====	

Notes to the financial statements (continued)

2c Group income from charitable activities (continued)

Government grants included in the income above are as follows:

	2019 £,000	2018 £,000
United Kingdom Research & Innovation	2,764	2,882
European Union	1,161	1,292
Non-Departmental Public Bodies	107	104
Enterprise Schemes	158	162
Scottish Funding Council	2,267	1,990
	<u>6,457</u>	<u>6,430</u>
	=====	=====

2d Company income from charitable activities

	Unrestricted		Restricted	Total	Total
	General	Designated	funds	funds	Funds
	2019	2019	2019	2019	2018
	£,000	£,000	£,000	£,000	£,000
Education and knowledge transfer grants	647	-	1,326	1,973	1,783
Research income, national capability and facilities	1,992	-	5,147	7,139	8,613
	<u>2,639</u>	<u>-</u>	<u>6,473</u>	<u>9,112</u>	<u>10,396</u>
	=====	=====	=====	=====	=====
2018	2,994	357	7,045	10,396	
	=====	=====	=====	=====	

Government grants included in the income above are as follows:

	2019 £,000	2018 £,000
United Kingdom Research & Innovation	2,764	2,882
European Union	1,135	1,237
Non-Departmental Public Bodies	107	104
Enterprise Schemes	158	162
Scottish Funding Council	2,267	1,990
	<u>6,431</u>	<u>6,375</u>
	=====	=====



Notes to the financial statements (continued)

**2e Other income**

Group other unrestricted income consists of £114k received by the company's subsidiary SRSL from the repatriation of monies held previously in Papua New Guinea and previously fully provided against recovery together with £43k RDEC receivable in respect of SRSL RDEC claims. (2018 - £834k - receivable in relation to an RDEC claims). Other restricted income for the group and the company of £42k is in respect of Highland and Island Enterprises grant contribution to the SAMS Development Strategy, The Institutional Reform and Development Plan (2018 - £377k - grant income to cover redundancy costs).

**3a Group expenditure on raising funds**

	Unrestricted		Restricted	Total	Total
	General	Designated	funds	funds	funds
	funds	funds	2019	2019	2018
	2019	2019	2019	2019	2018
	£,000	£,000	£,000	£,000	£,000
Marketing, publications and newsletters	13	-	-	13	12
	===	===	===	===	===
2018	12	-	-	12	
	===	===	===	===	

**3b Charity expenditure on raising funds**

	Unrestricted		Restricted	Total	Total
	General	Designated	funds	funds	funds
	funds	funds	2019	2019	2018
	2019	2019	2019	2019	2018
	£,000	£,000	£,000	£,000	£,000
Marketing, publications and newsletters	11	-	-	11	11
	===	===	===	===	===
2018	11	-	-	11	
	===	===	===	===	

Notes to the financial statements (continued)

4a Group expenditure on charitable activities

	Unrestricted		Restricted	Total	Total
	General	Designated	funds	funds	funds
	2019	2019	2019	2019	2018
	£,000	£,000	£,000	£,000	£,000
Staff costs (note 7)	3,230	-	2,954	6,184	7,128
Governance costs	40	-		40	24
Other cost (everything other than governance and marketing)	1,199	-	3,919	5,118	5,283
	<u>4,469</u>	<u>-</u>	<u>6,873</u>	<u>11,342</u>	<u>12,435</u>
	=====	=====	=====	=====	=====
2018	4,391	148	7,896	12,435	
	=====	=====	=====	=====	

4b Charity expenditure on charitable activities

	Unrestricted		Restricted	Total	Total
	General	Designated	funds	funds	funds
	2019	2019	2019	2019	2018
	£,000	£,000	£,000	£,000	£
Staff costs (note7)	3,190	-	2,954	6,144	7,074
Governance costs	40	-		40	24
Other cost (everything other than governance and marketing)	672	-	3,919	4,591	4,332
	<u>3,902</u>	<u>-</u>	<u>6,873</u>	<u>10,775</u>	<u>11,430</u>
	=====	=====	=====	=====	=====
2018	3,454	136	7,840	11,430	
	=====	=====	=====	=====	



Notes to the financial statements (continued)

5 Net income

	<b>Group 2019 £,000</b>	<b>Group 2018 £,000</b>	<b>Charity 2019 £,000</b>	<b>Charity 2018 £,000</b>
Net income is stated after charging/(crediting):				
Auditor remuneration:				
Audit services	19	19	13	13
Other services	2	4	1	2
Depreciation and losses on disposals	981	982	954	974
Operating lease charges	41	59	10	28
Amount of stocks recognised as an expense	1	85	3	7
Foreign exchange loss / (gain)	(22)	69	(15)	49
	===	===	===	===

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

The non-executive Council Members received £7,190 (2018 - £6,597), in the form of reimbursable expenses, in total from SAMS during the year. The following Directors received remuneration:

		<b>2019 £,000</b>	<b>2018 £,000</b>
Commodore Angus A Ross	Audit/Governing Council	-	4
Mr Stuart Cannon	Finance	-	1
Mr Paul Brennan	Audit	3	3
Ms Hazel Allen	Finance	3	1
		6	9
		===	===

The number of directors to whom retirement benefits are accruing is zero (2018 – zero).

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

	<b>Group 2019 £,000</b>	<b>Group 2018 £,000</b>	<b>Charity 2019 £,000</b>	<b>Charity 2018 £,000</b>
Key management personnel	894	1,142	894	1,142
	=====	=====	=====	=====

There are no additional related party transactions to be disclosed.

Notes to the financial statements (continued)

7 Staff costs

	<b>Group 2019 £,000</b>	<b>Group 2018 £,000</b>	<b>Charity 2019 £,000</b>	<b>Charity 2018 £,000</b>
Wages and salaries	<b>5,025</b>	5,801	<b>4,991</b>	5,757
Social security costs	<b>452</b>	489	<b>448</b>	486
Other pension costs	<b>707</b>	838	<b>705</b>	831
	<b>6,184</b>	7,128	<b>6,144</b>	7,074
	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>

No restructuring costs on salaries were incurred during the year. Included within staff costs in 2018 are £491,435 of restructuring costs, of which £376,743 was covered by grant income received during the year

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

	<b>Group 2019 No.</b>	<b>Group 2018 No.</b>	<b>Charity 2019 No.</b>	<b>Charity 2018 No.</b>
Administration	<b>58</b>	60	<b>58</b>	60
Research	<b>56</b>	64	<b>53</b>	61
Technical	<b>67</b>	57	<b>67</b>	57
	<b>181</b>	181	<b>178</b>	178
	<b>===</b>	<b>===</b>	<b>===</b>	<b>===</b>

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

	<b>Group 2019 SAMS No.</b>	<b>Group 2018 SAMS No.</b>	<b>Charity 2019 SAMS No.</b>	<b>Charity 2018 SAMS No.</b>
£60,000 - £69,999	<b>6</b>	3	<b>6</b>	3
£70,000 - £79,999	<b>1</b>	2	<b>1</b>	2
£80,000 - £89,999	<b>1</b>	-	<b>1</b>	-
£110,000 - £119,999	<b>1</b>	1	<b>1</b>	1

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



## Notes to the financial statements (continued)

## 8 Expenditure

	Group 2019 £,000	Group 2018 £,000	Charity 2019 £,000	Charity 2018 £,000
<b>Activities in furtherance of charitable objectives</b>				
Administration	2,464	2,561	2,426	2,561
Research	2,764	3,284	2,762	3,231
Technical	956	1,282	956	1,282
	<b>6,184</b>	<b>7,127</b>	<b>6,144</b>	<b>7,074</b>
Scientific consumables	3,070	3,251	3,267	2,940
Support costs	1,688	1,915	1,184	1,285
Depreciation unfunded	387	148	168	136
Interest	26	6	23	6
Total	<b>11,355</b> =====	<b>12,447</b> =====	<b>10,786</b> =====	<b>11,441</b> =====
	Group 2019 £,000	Group 2018 £,000	Charity 2019 £,000	Charity 2018 £,000
<b>Support costs</b>				
Utilities	474	460	380	378
Property maintenance, service and cleaning	216	154	215	154
Communications	19	11	19	10
Company Secretary, Finance and HR	197	418	195	292
Directorate	156	122	155	120
Health and safety	24	18	24	18
ITC costs	50	44	49	43
Library	52	83	52	83
Ocean Explorer Centre	8	22	8	22
Vehicles	6	9	12	9
Vessels	49	46	48	46
Other	437	528	27	110
Total	<b>1,688</b> =====	<b>1,915</b> =====	<b>1,184</b> =====	<b>1,285</b> =====

## Notes to the financial statements (continued)

## 9 Tangible fixed assets

Group	Assets under construction £,000	Property £,000	Vessels & vehicles £,000	Fittings & equipment £,000	Total £,000
<b>Cost</b>					
As at 1 April 2018	306	20,223	671	11,097	32,297
Additions	71			246	317
Transfer completed project	(377)	9		368	
Disposal In year	-	-	(31)	(111)	(142)
<b>As at 31 March 2019</b>	<b>-</b>	<b>20,232</b>	<b>640</b>	<b>11,600</b>	<b>32,472</b>
<b>Depreciation</b>					
As at 1 April 2018	-	5,613	623	9,335	15,571
Charge for year		409	10	515	934
Disposal in year	-	-	(18)	(77)	(95)
<b>As at 31 March 2019</b>	<b>-</b>	<b>6,022</b>	<b>615</b>	<b>9,773</b>	<b>16,410</b>
<b>Net book value</b>					
<b>As at 31 March 2019</b>	<b>-</b>	<b>14,210</b>	<b>25</b>	<b>1,827</b>	<b>16,062</b>
As at 31 March 2018	306	14,610	48	1,762	16,726
	Assets under construction £,000	Property £,000	Vessels & vehicles £,000	Fittings & equipment £,000	Total £,000
<b>Charity</b>					
<b>Cost</b>					
As at 1 April 2018	306	20,223	671	10,795	31,995
Additions	71	-	-	246	317
Transfer completed project	(377)	9	-	368	-
Disposals	-	-	(31)	(68)	(99)
<b>As at 31 March 2019</b>	<b>-</b>	<b>20,232</b>	<b>640</b>	<b>11,341</b>	<b>32,213</b>
<b>Depreciation</b>					
As at 1 April 2018	-	5,613	623	9,071	15,307
Charge for year		409	10	510	929
Disposal in year	-	-	(18)	(56)	(74)
<b>As at 31 March 2019</b>	<b>-</b>	<b>6,022</b>	<b>615</b>	<b>9,525</b>	<b>16,162</b>
<b>Net book value</b>					
<b>As at 31 March 2019</b>	<b>-</b>	<b>14,210</b>	<b>25</b>	<b>1,816</b>	<b>16,051</b>
As at 31 March 2018	306	14,610	48	1,724	16,688

Assets under construction: This relates to part completed laboratory equipment completed in the current year. The value of the capital commitments at 31 March 2019 was £313k (2018 - £49k).



## Notes to the financial statements (continued)

## 10 Investments

	Group 31 March 2019 £,000	Group 31 March 2018 £,000	Charity 31 March 2019 £,000	Charity 31 March 2018 £,000
Subsidiaries	-	-	39	39
Other fixed asset investment	-	-	-	-
	<u>-</u>	<u>-</u>	<u>39</u>	<u>39</u>
	===	===	===	===

## Other fixed asset investment

	Group	
	31 March 2019 £,000	31 March 2018 £,000
Cost at 1 April 2018	53	53
Impairment	(53)	(53)
	<u>-</u>	<u>-</u>
Net book value at 31 March 2019	=====	=====

## Company

	Voting holding	Shares held	Nature of the business
<b>Subsidiary undertakings</b>			
SAMS Research Services Ltd (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

Notes to the financial statements (continued)

10 Investments (continued)

	<b>SAMS Research Services Limited</b>		<b>SAMS Limited</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
Turnover	<b>1,439</b>	1,825	<b>140</b>	438
Cost of sales	<b>(1,077)</b>	(1,212)	<b>(57)</b>	(342)
Gross profit	<b>362</b>	613	<b>83</b>	96
Administrative expenses	<b>(23)</b>	(330)	<b>(40)</b>	(16)
Profit on ordinary activities before taxation	<b>339</b>	283	<b>43</b>	80
Tax on profit on ordinary activities	<b>43</b>	-	-	-
Profit for the year	<b>382</b>	283	<b>43</b>	80
Net assets/(liabilities)	<b>357</b>	(25)	<b>26</b>	108
	=====	=====	=====	=====

11 Debtors

	<b>Group</b>	<b>Group</b>	<b>Charity</b>	<b>Charity</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
Trade debtors	<b>186</b>	263	-	-
Prepayments and accrued income	<b>2,200</b>	1,732	<b>2,200</b>	1,726
Intercompany	-	-	<b>100</b>	490
Other debtors	<b>1,178</b>	584	<b>1,112</b>	577
	<b>3,564</b>	2,579	<b>3,412</b>	2,793
	=====	=====	=====	=====



## Notes to the financial statements (continued)

## 12 Creditors: amount falling due within one year

	Note	Group 2019 £,000	Group 2018 £,000	Charity 2019 £,000	Charity 2018 £,000
Current instalment due on bank loan	13	-	249	-	249
Payments received in advance		4,249	3,290	4,114	3,197
Intercompany			-	29	15
Taxation and Social Security		158	187	158	187
Sundry creditors and accruals		1,219	1,280	1,163	1,177
		<u>5,626</u>	<u>5,006</u>	<u>5,464</u>	<u>4,825</u>
		=====	=====	=====	=====

Analysis of payments received in advance:

	Brought forward	Released during the year	Deferred this year	Carried forward
Group	£,000	£,000	£,000	£,000
2019	3,290	(3,337)	4,296	4,249
2018	3,573	(2,369)	2,086	3,290
Charity				
2019	3,197	(3,309)	4,226	4,114
2018	3,425	(2,314)	2,086	3,197

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.

## 13 Loans

	Group & Charity 2019 £,000	2018 £,000
<b>Wholly repayable within 5 years:</b>		
£1,147k bank loan @ 1.25% above LIBOR per annum, repayable in monthly instalments of £22,932 commencing November 2014.	-	249
Less: included creditors: amounts falling due within one year	-	(249)
	<u>-</u>	<u>-</u>
	===	===

Notes to the financial statements (continued)

13 Loans (continued)

Amounts repayable:	Group and Charity	
	2019 £,000	2018 £,000
Within 1 year	-	249
In 1 to 2 years	-	-
In 2 to 5 years	-	-
	<u>-</u>	<u>249</u>
	===	===

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. The bank loan was repaid in 2018/19.

14 Provisions for liabilities

	Note	Group 2019 £,000	Group 2018 £,000	Charity 2019 £,000	Charity 2018 £,000
Pension deficit obligations	19	2,303	1,057	2,303	1,057
		=====	=====	=====	=====

15 Other financial commitments

At 31 March 2019 the company had commitments under non-cancellable operating leases as set out below:

	Group 2019 £,000	Group 2018 £,000	Charity 2019 £,000	Charity 2018 £,000
<b>Operating leases:</b>				
Within one year	38	39	7	8
Within 2 to 5 years	128	32	3	10
Later than 5 years	<u>14</u>	<u>-</u>	<u>-</u>	<u>-</u>
	180	71	10	18
	===	===	===	===

The Scottish Association for Marine Science (SAMS)

Notes to the consolidated financial statements (continued)

16a	Restricted funds	Balance at 31 March 2018 £,000	Income £,000	Expenditure £,000	Extraordinary £,000	Transfers £,000	Balance at 31 March 2019 £,000
	<b>Group</b>						
	Fixed asset funds	6,199	223	(581)	-	-	5,841
	Research Projects	-	6,292	(6,292)	-	-	
		6,199	6,515	(6,873)	-	-	5,841
		=====	=====	=====	=====	=====	=====
	<b>Charity</b>						
	Fixed asset funds	6,199	223	(581)	-	-	5,841
	Research Projects	-	6,292	(6,292)	-	-	-
		6,199	6,515	(6,873)	-	-	5,841
		=====	=====	=====	=====	=====	=====

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 of £5,841k includes £4,805k 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 is required to be maintained until 31 December 2019 at which point it will be transferred to unrestricted funds.



# The Scottish Association for Marine Science (SAMS)

## Notes to the consolidated financial statements (continued)

16a	Restricted funds (continued)	Balance at 31 March 2017 £,000	Income £,000	Expenditure £,000	Transfers £,000	Balance at 31 March 2018 £,000
	<b>Group</b>					
	Fixed asset funds	11,808	556	(836)	(5,329)	6,199
	Glider fund	70	-	-	(70)	-
	Research Projects	-	6,922	(7,060)	138	-
		<u>11,878</u>	<u>7,478</u>	<u>(7,896)</u>	<u>(5,261)</u>	<u>6,199</u>
		=====	=====	=====	=====	=====
	<b>Charity</b>					
	Fixed asset funds	11,808	556	(836)	(5,329)	6,199
	Glider fund	70	-	-	(70)	-
	EU grant clawback	-	-	-	-	-
	Research Projects	-	6,866	(7,004)	138	-
		<u>11,878</u>	<u>7,422</u>	<u>(7,840)</u>	<u>(5,261)</u>	<u>6,199</u>
		=====	=====	=====	=====	=====

The Glider fund represents funds received from NERC during 2017 towards the purchase of a new Glider. The Glider was purchased in 2017/18 and, on receipt, the funds of £70k were transferred to fixed asset restricted funds.

## Notes to the consolidated financial statements (continued)

Up to March 2018 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 fixed asset fund represented the balance between the net book value of fixed assets held and the restricted reserve. The Governing Council, decided to transfer the designated funds balance at 31 March 2018 to unrestricted funds. No designated fund exists at 31 March 2019.

## Notes to the financial statements (continued)

## 17 Analysis of net assets between funds

Group	Unrestricted £,000	Designated £,000	Restricted £,000	Total 2019 £,000
Fixed assets	10,221	-	5,841	16,062
Net current liabilities	(1,106)	-	-	(1,106)
Long term liabilities	(2,303)	-	-	(2,303)
	<u>6,812</u>	<u>-</u>	<u>5,841</u>	<u>12,653</u>
	=====	=====	=====	=====
	Unrestricted £,000	Designated £,000	Restricted £,000	Total 2018 £,000
Fixed assets	10,527	-	6,199	16,726
Net current liabilities	(811)	-	-	(811)
Long term liabilities	(1,057)	-	-	(1,057)
	<u>8,659</u>	<u>-</u>	<u>6,199</u>	<u>14,858</u>
	=====	=====	=====	=====
Charity	Unrestricted £,000	Designated £,000	Restricted £,000	Total 2019 £,000
Fixed assets	10,210	-	5,841	16,051
Investment	39	-	-	39
Net current liabilities	(1,475)	-	-	(1,475)
Provision	(2,303)	-	-	(2,303)
	<u>6,471</u>	<u>-</u>	<u>5,841</u>	<u>12,312</u>
	=====	=====	=====	=====
	Unrestricted £,000	Designated £,000	Restricted £,000	Total 2018 £,000
Fixed assets	10,489	-	6,199	16,688
Investment	39	-	-	39
Net current liabilities	(854)	-	-	(854)
Provision	(1,057)	-	-	(1,057)
	<u>8,617</u>	<u>-</u>	<u>6,199</u>	<u>14,816</u>
	=====	=====	=====	=====



Notes to the financial statements (continued)

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

	Group 2019 £,000	Group 2018 £,000	Charity 2019 £,000	Charity 2018 £,000
Net income/(expenditure)	(904)	833	(1,203)	472
Extraordinary items out-with net income/(expenditure)	-	-	-	-
Depreciation	934	982	929	972
Loss on sale of Asset	47		25	
Defined benefit pension charge	(77)	(57)	(77)	(57)
Decrease/(Increase) in stock	(1)	22	3	1
Decrease/(Increase) in debtors	(985)	(299)	(619)	225
(Decrease)/Increase in creditors	869	(410)	888	(317)
Interest paid	22	6	22	6
Investment income	-	-	(125)	-
<b>Net cash inflow /(Outflow)from operating activities</b>	<b>(95)</b>	<b>1,077</b>	<b>(157)</b>	<b>1,302</b>
	=====	=====	=====	=====

19 Pensions

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 £61k in the year, (2018 - £80k) There was no outstanding contributions at 31 March 2019.

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 £56k (2018 - £26k) There were no outstanding contributions at 31 March 2019 or 2018.

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

**Notes to the financial statements (continued)**

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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 2019, the percentage was 18% (2018 - 18%).

The total cost charged to the statement of financial activities is £612k (2018 - £685k) included as part of note 7. 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 recognise

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 statement

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2017 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2018 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 2017 valuation was the fourth 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 £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%.



Notes to the financial statements (continued)

The key financial assumptions used in the 2017 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 -0.53% reducing linearly to CPI -1.32% Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21 Years 21 +: CPI + 1.7%

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 2017 actuarial valuation. The mortality assumptions used in these figures are

**2017 valuation Mortality base table**

Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females

Post retirement: 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females

Future improvements to mortality  
CMI\_2016 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:

	<b>2019</b>	<b>2018</b>
Males currently aged 65 (years)	24.6	24.5
Females currently aged 65 (years)	26.1	26.0
Males currently aged 45 (years)	26.6	26.5
Females currently aged 45 (years)	27.9	27.8

A new deficit recovery plan was put in place as part of the 2017 valuation, which requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. The 2019 pension liability provision reflects this plan. The provision figures have been produced using the following assumptions as at 31 March 2018 and 2019.

	<b>2019</b>	<b>2018</b>
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.11%	2.02%



Notes to the financial statements (continued)

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 2019 amounted to £2,303k (2018 - £1,057k) and the current agreed Recovery Plan end date is 31 March 2031.

The total cost charged to the Statement of Financial Activities is £1,246k (2018 - £255k credit) of which £1,301k (2018 - 198k credit) is disclosed for the Company and the Group as Other recognised gains and losses. A further £55k credit (2018 - £57k debit) of pension costs and interest is netted against the Expenditure, Charitable Activities.

## 20 Financial instruments

	<b>Group 2019 £,000</b>	<b>Group 2018 £,000</b>	<b>Charity 2019 £,000</b>	<b>Charity 2018 £,000</b>
<b>Carrying amount of financial assets</b>				
Measured at amortised cost	<b>1,364</b> =====	847 =====	<b>1,212</b> =====	1,067 =====
<b>Carrying amount of financial liabilities</b>				
Measured at amortised cost	<b>1,219</b> =====	1,530 =====	<b>1,192</b> =====	1,441 =====

Debt instruments measured at amortised cost comprises other debtors.

Liabilities measured at amortised cost comprises bank loans, 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 2019, income of £1,752,087 (2018 - £1,814,052) was received from UHI in relation to higher education activities and payments of £24,298 (2018 - £26,534) were made to UHI. Amounts due from UHI at 31 March 2019 were £270,335 (2018 - £85,403) and amounts due to UHI were £nil (2018 - £265).