

Corporate Social Responsibility

Corporate social responsibility represents the commitment by SAC to behave fairly and responsibly, contributing to economic development while improving the quality of life for our staff as well as contributing to local communities and society. We recognise that our social, economic and environmental responsibilities to our stakeholders in the land-based industries are integral to our mission, vision, values and business success.

Our work on increasing the competitiveness of agriculture, assisting rural development, improving the stewardship of the environment and rural landscapes and education and skills is described in this report. In addition, we support staff and students who undertake approved fund-raising activities for charity. These activities included raising

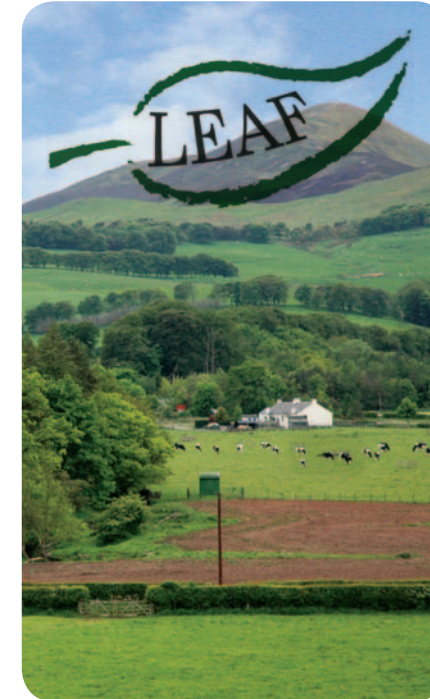


over £2000 for Children in need and supporting Gardening Leave, a charity for war veterans through working at the gardens at Auchincruive in Ayr.

The SAC Trust Funds enable SAC to help worthwhile staff and student causes. These include travel awards, SAC Centenary Bursaries for students and a student trainees scheme to help attract new entrants into careers in the land-based sector. Over 466 students and 35 staff gained benefits from the disbursement of the Trust funds.



A significant achievement during 2007 was gaining LEAF (Linking Environment & Farming) Innovation Centre status at the Bush Estate farms. This recognises the role that these farms play in developing new ideas and techniques to help farmers to minimise their own environmental footprint.



SAC is keen to improve our own environmental performance and accordingly we have started to build an Environmental Management System (EMS) as a new activity in our commitment to CSR. The EMS is beginning to deliver SAC's environmental policy which includes all aspects of our operations covering farms, campuses, veterinary centres and offices. During 2007, SAC employed an energy manager to reduce the amount of energy we consume thereby reducing our carbon footprint.



Honours and Awards

Rewarding Achievement

In 2007 SAC recognised excellence by making awards to:

- Sir Don Curry**
SAC Honorary Fellowship
- Mr George Gunn**
Professor of Population Medicine and Zoonoses
- Dr Davy McCracken**
Readership in recognition of his research on the ecology of farm management practices
- Dr Cathy Dwyer**
Readership in recognition of work on the welfare of sheep
- Mrs Janette Elder**
Sir Robert C Stewart Prize - Extension
- Mrs Siobhan Macdonald**
Inverarity Prize for Innovation for services to Training in the Highlands & Islands



SAC Board

	Date of Appointment	Date of Retirement	Status of Appointment	Committee Membership
Mr D Biggar	4 Oct 2006	Oct 2010	Non-Executive (Vice Chairman from Oct 2007)	Audit
Professor G Bulfield	4 Oct 2007	Oct 2011	Non-Executive	
Professor R Crofts	9 Oct 2002	Oct 2010	Non-Executive	Audit, Finance & General Purposes, Education & Skills Audit
Mr I Douglas	9 Oct 2002	4 Oct 2007	Non-Executive	
Dr S Gemmell	13 Aug 2002	n/a	Executive	
Dr J Gilliland	4 Oct 2007	Oct 2011	Non-Executive	
Mr H Graham	9 Oct 2003	Oct 2009	Non-Executive	Finance & General Purposes
Mr J Henderson	9 Oct 2002	Oct 2008	Non-Executive	Finance & General Purposes, Trusts
Mr I Ivory	4 Apr 2000	4 Oct 2007	Non-Executive Chairman (2003)	Appointments & Remuneration, Finance & General Purposes
Lord Jamie Lindsay	5 Oct 2005	Oct 2009	Non-Executive (Chairman from Oct 2007)	Appointments & Remuneration
Mr P Machray	4 Oct 2007	Oct 2011	Non-Executive	Finance & General Purposes, Trusts
Professor W A C McKelvey	1 Jun 1999	n/a	Chief Executive (2002)	
Professor W Stevely	5 Oct 2005	Oct 2009	Non-Executive (Vice Chairman from Oct 2007)	Education & Skills, Appointments & Remuneration
Ms J D Swadling	2 Oct 2001	n/a	Executive	
Professor C T Whittemore	1 Aug 2000	Oct 2008	Non-Executive	Appointments & Remuneration, Audit, Health & Safety Policy

Note: Non-Executive Directors are appointed for four years. Their appointment may be extended for one further four year period. It is the practice of the Board to extend these appointments on an annual basis.



(Back row) Professor Graham Bulfield, John Henderson, Professor Colin Whittemore, Dr John Gilliland, Professor Roger Crofts, Henry Graham, Patrick Machray
(Front row) Dr Stewart Gemmell, Janet Swadling, Donald Biggar, Lord Jamie Lindsay, Professor Bill Stevely, Professor Bill McKelvey

Directors' Report 2007 - 2008

The SAC Board is pleased to present an abstract from the full Directors' Report for the year 2007-08 together with the Summary Group Financial Statements

The financial performance of the Group is considered to be very satisfactory with overall operating budgets having been exceeded in a challenging year and operating costs have been successfully contained. SAC has generated strong cash flow over the last five years, and the improved financial position of the organisation was reflected by the fact that SAC generated net interest income of £135k for the year ended 31 March 2008 compared to net interest expense of £165k in 2007. For the year ended 31 March 2008, SAC's commercial subsidiary, SAC Commercial Ltd, made a small loss of £54k for the year (2006: £63k loss) after a significant gift aid contribution of £914k (2007: £1,365k) to SAC.

Summary Group Financial Statements

SAC has shown a sustained improvement in operating performance over the last five years. The Consolidated Income and Expenditure Account for the five years to 31 March 2008, can be summarised as follows:

	2007/08 £000's	2006/07 £000's	2005/06 £000's	2004/05 £000's	2003/04 £000's
Year to 31 March 2008	44,878	44,096	43,659	43,099	42,369
Expenditure	44,143	43,791	43,486	42,935	42,205
Operating Surplus for the year	735	305	173	164	164

Summary Group Income & Expenditure Account Year to 31 March 2008

	2008 £000's	2007 £000's
Income		
Scottish Government Grants	21,199	21,296
Tuition Fees and Education Contracts	2,675	2,790
Research Grants and Contracts	6,251	6,684
Advisory and Consultancy	10,284	9,529
Other Operating Income	4,195	3,583
Interest Receivable	274	214
Total Income	44,878	44,096
Expenditure		
Staff Costs	26,405	25,745
Depreciation & Amortisation	2,148	2,286
Other Operating Expenditure	15,451	15,381
Interest	139	379
Total Expenditure	44,143	43,791
Surplus on continuing Operations after Depreciation of Tangible Fixed Assets at Cost and Tax	735	305
Gain on Disposal of Fixed Assets	41	156
Surplus for the Year Retained within Reserves	776	461

Summary Group Balance Sheet At 31 March 2008

	Group		Company	
	2008 £000's	2007 £000's	2008 £000's	2007 £000's
Fixed Assets				
Tangible Fixed Assets	41,634	40,289	41,634	40,289
Intangible Fixed Assets	13	28	13	28
	41,647	40,317	41,647	40,317
Endowment Asset Investments	3,168	3,383	3,168	3,383
Current Assets				
Stocks	1,160	951	1,160	951
Debtors	4,917	4,590	4,046	3,666
Cash in Hand	5,605	4,107	5,394	3,972
Total Current Assets	11,682	9,648	10,600	8,589
Less Creditors - amounts falling due within one year	(11,722)	(9,611)	(11,366)	(9,332)
Net Current (Liabilities)/Assets	(40)	37	(766)	(743)
Total Assets Less Current Assets / (Liabilities)	44,775	43,737	44,049	42,957
Less Creditors - amounts falling due after one year	(3,314)	(3,694)	(3,314)	(3,694)
Total Net Assets excluding pension asset / (liability)	41,461	40,043	40,735	39,263
Pension surplus	1,765	219	1,765	219
Net Assets including pension asset	43,226	40,262	42,500	39,482
Represented by:				
Deferred Capital Grants	31,696	30,579	31,696	30,579
Reserves				
Endowment	3,224	3,431	3,224	3,431
General Reserve including pension asset	8,306	6,252	7,580	5,472
Total Funds	43,226	40,262	42,500	39,482

The accounts were approved on 26 August 2008 and signed on behalf of the Board by:

Lord Jamie Lindsay Chairman

Professor W A C McKelvey Chief Executive & Principal

SAC (The Scottish Agricultural College) is an innovative, knowledge-based organisation which supports the development of the land-based industries and communities through its specialist research and development resources, its education and training provision and its expert advisory and consultancy services. Its work is wide ranging but there is a particular emphasis on agriculture and related sciences, rural business development and management, food chain quality and safety, and rural resource and environmental management.



Our Mission is to enhance the rural economy and environment. To do that the four main aims of the organisation are:

- Making agriculture more competitive
- Delivering an improved environment and rural landscape
- Improving the rural economy and quality of life
- Developing the skills of the rural workforce

Our Vision is to be a leader of innovation and sustainable development in the rural sector.

Our Core Values

- Making a difference
- Being objective
- Being Forward Looking
- Behaving Professionally



General Information

Chairman	Lord Jamie Lindsay
Chief Executive and Principal	Professor William A C McKelvey BVMS PhD MRCVS CBiol FIBiol FRAGS
Company Secretary and Finance & Corporate Affairs Director	Janet D Swadling BA MBA FCIS
External Auditors	Ernst & Young LLP Ten George Street Edinburgh EH2 2DZ
Internal Auditors	KPMG Saltire Court 20 Castle Terrace Edinburgh EH1 2EG
Bankers	Bank of Scotland New Superior House 11 Earl Grey Street Edinburgh EH3 9BN
Solicitors	Morton Fraser 30-31 Queen Street Edinburgh EH2 1JX
Actuaries	Hymans Robertson 221 West George Street Glasgow G2 2ND
Stockbrokers	Speirs & Jeffrey 36 Renfield Street Glasgow G2 1NA

The following web links provide more in-depth information on a number of the subjects mentioned in this report.

- www.sac.ac.uk
- www.sac.ac.uk/climatechange
- www.sac.ac.uk/ruralpolicycentre
- www.sac.ac.uk/learning

Further information about SAC is available from: SAC Central Office, West Mains Road, Edinburgh EH9 3JG
T: 0131 535 4185 F: 0131 535 4332 E: information@sac.co.uk W: www.sac.ac.uk

SAC is a charity registered in Scotland, No. SCO03712

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Annual Report



2007/08



Chief Executive's Review



I am pleased to present SAC's Annual Report and Accounts for 2007/08. SAC has continued to grow and develop over the past twelve months, with a number of developments which will secure the business for years to come, including the announcement that SAC is to become a Higher Education Institute, and the development of a number of growing relationships with our research and education partners.



Reaching HEI status is a significant achievement and the result of a great deal of hard work by SAC staff in order to meet the stringent criteria set for teaching quality, for institutional governance, and for disciplinary excellence, set by the Quality Assurance Agency, Scottish Funding Council and by government.

In Ayr, we have secured funding, together with the new University of the West of Scotland, for a completely new campus development on the riverside, along side Ayr College. This will bring together two HE organisations and an FE College on a single site, creating an exciting new and vibrant student community in Ayr. In Inverness, we are exploring a joint development of a new campus with Inverness College and the UHI Millennium Institute.

Across Scotland and beyond, our business consultancy activities in support of customers continues to grow in scope and delivery. In the agriculture sector, SAC advice on technical, economic and legislative issues enables businesses to achieve their potential. SAC is at the heart of the food supply chain in providing innovative business solutions. SAC stewardship, especially in training and CPD, has helped rural communities face economic and social challenges. Our new services, in energy management, environmental stewardship and coping with climate change have helped them greatly in meeting environmental challenges.



In terms of research, we have secured agreement on the development of the Easter Bush Research Consortium in Edinburgh, along with the University of Edinburgh Veterinary School, the Moredun Institute and the Roslin Institute. This Scottish consortium will bring together a world class group of research staff dedicated to animal and veterinary science. On the International stage I was delighted to sign an agreement with AgResearch in New Zealand. It heralds the development of joint research contracts, exchange of staff and, in the longer term, the exchange of students between our countries.



Over the past year we have established our new Rural Policy Centre. It aims to become a key link between government and the land-based industries, supplying advice to commercial clients on the impacts of global economic changes and government policy initiatives on their businesses. It will also provide government with a source of contemporary information on rural economic trends, thereby assisting with the development of policy at national and local level.



As our Annual Report shows, SAC is continuing to grow and change as a business. It is an organisation which has the continued trust of the country's students, researchers and land managers. SAC is continuing to work closely with those in the land-based industries, government and our research colleagues to ensure that our work is not only relevant to today's sector, but remains at the cutting edge.

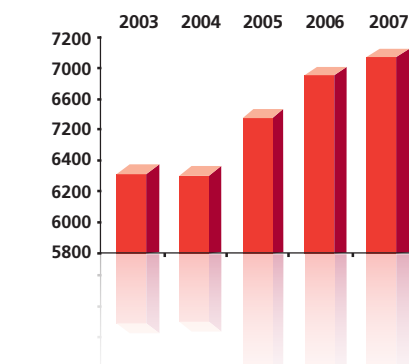
I look forward to continuing to oversee the management, development and growth of SAC as a business primed to tackle the issues of a 21st century world.

W A C McKelvey
Professor W A C McKelvey

Competitive Agriculture

SAC is leading the renaissance in agriculture, providing contemporary advice for the land-based industries based upon research founded in key elements of the food supply chain.

The provision of consultancy services direct to farmers, growers and associated businesses grew again in 2007/08. The number of subscribers increased to over 7,000. They were provided with regular updates on technical and business issues. In addition 5,330 businesses were helped with their Single Farm Payment application forms and SAC assisted with nearly 50% of all of Scotland's on-line IACS submissions in 2007.



Stakeholder Engagement

Our knowledge transfer campaign "Success through Knowledge" has diversified its audience base beyond farmers and the land-based industries. Traditional events around Scotland supported dairy farmers, the poultry industry, potato production, livestock genetic improvement and cropping systems, including legume production. New audience groups such as Government policy makers worked with SAC in a workshop on the important public health issue of E. coli O157. The SAC/SEPA conference addressed land management in a changing environment. Public audiences participated in the debate on climate change and agriculture via special lectures and demonstrations in Dumfries.



Animal Health

The centre of excellence in veterinary epidemiology (EPIC) delivers high quality research and scientific advice on animal diseases relevant to Scotland. In 2007 it advised the Chief Veterinary Officer on FMD. Additionally SAC has carried out work to determine the prevalence of BVD in Scottish cattle. The improvement of animal health and management of disease are examples of areas of SAC's research that will have a direct impact on the competitiveness of Scottish agriculture.

Livestock Systems

SAC researchers are helping develop more sustainable livestock systems by increasing their financial viability through better product quality, health and welfare or

an improved environmental footprint. For example the value of genetic improvement of beef and sheep in Britain over the last 10 years is estimated to be worth about £23 million and £29 million respectively. The benefits continue to rise, representing an internal rate of return on the investment in research and delivery of 32% - a very high return.

On animal welfare SAC's research has focussed on a better understanding of the animals own experience. We have studied the influence of genetics and early life experiences and developed scientific but practical methods of welfare assessment that could lead to both improved welfare and improved economic returns to producers. These include introducing welfare related traits over a broader range of selective criteria in dairy cattle and sheep.

Food Supply Chains

The year has seen a continued demand for SAC's advice and knowledge in the production and marketing of quality food throughout the supply chain. SAC delivered a highly successful added value development programme for Scottish Enterprise Dumfries and Galloway that helped the region achieve its aspirations for the local food and drink chain. Some 22 businesses were assisted, ideas were brought to fruition, new markets were identified and the programme culminated with a consumer tasting event at the Royal Highland Show.



Crop Systems

Research in sustainable crop systems examined areas such as biodiversity and function in plants, and the biophysical resilience of ecosystems. SAC provided data on nutritional efficiencies, weed biomass and the resilience of crop mixtures. There was new information on soil nitrogen supply and the improvement of soil phosphate supply for organics farmers. Work on the control of new and existing pests and diseases, such as winter barley disease, provided timely new information which was included in the "Barley Disease Management Guide". Potato growers benefited from disease control work that improved decision making.

Rural Development

SAC has recently begun to look at broader issues beyond the traditional land-based sector, examining those which relate to the wider rural economy and communities. Over the past year activities have been undertaken which focus on the challenges facing Scotland's rural communities, in addition to work which continues to aid understanding of the linkages between the land-based industry and the wider rural economy.

This has included;

- Written and oral evidence to the RSE Inquiry into the hill and upland areas.
- Study on Primary Industries contribution to Rural Scotland for Scottish Enterprise.
- SAC Outlook Conference.
- Outlook Report examining the key challenges for Rural Scotland.
- Research Project into the use, provision and condition of community buildings in rural Scotland.
- Measuring the Gaelic Labour Market: current and future potential.
- Desk based examination of the experiences of rural poverty in Scotland.



SAC consultants play pivotal roles within Scotland's rural communities. Technical and business consultancy, to the land based industries, continues to be the main focus but socio-economic guidance often forms part of the holistic approach required to meet client requirements. Through membership and facilitation of committees and discussion societies, local SAC staff also play a crucial societal role in rural areas.



During 2007/08 SAC's skills in facilitation, mentoring and partnership working were evidenced by participation in the rural initiatives outlined below:

Leadership Programme

SAC delivered the Rural Leadership Programme for Scottish Enterprise. Using experienced facilitators, 60 participants benefited from a range of training and awareness workshops, individual coaching sessions, and fact-finding missions to the parliaments in Hollywood, Westminster and Brussels. The successful programme concluded with a conference in October 2007.

Succession Planning

On behalf of Lantra, SAC delivered a series of workshops aimed at a broad range of rural businesses with the objective of addressing the difficult issue of business succession. The workshops covered areas of common interest and were followed up with one-to-one mentoring often involving SAC consultants in conjunction with other professional business advisors.

Planning to Succeed

Scottish Enterprise rolled out their successful 'Planning to Succeed' programme in 2007/8. SAC successfully recruited and facilitated three groups of rural business managers in Ayrshire, Lanarkshire and Grampian region. Participants in each group were empowered to design their own programmes of workshops and study visits and were led through a group benchmarking process.

Rural Priorities Roadshow

As the Scotland Rural Development Programme started to take shape over the winter, SAC on behalf of the Scottish Government, facilitated and provided speakers for a series of 21 workshops, aimed at potential applicants to the "Rural Priorities" scheme. Attendance overall was in excess of 2400 drawing from a wide range of rural businesses and organisations all eager for updated information on the emerging programme.

Environment & Rural Landscapes

SAC is committed to delivering an improved environment and rural landscape. A sustainable and well-managed countryside underpins the prosperity of rural businesses and provides a resource which can contribute to the health and well-being of the whole population.

The key themes of SAC's work in this area are meeting the challenge of climate change, maintaining biodiversity, and improving water quality.

Climate Change & Biodiversity

SAC research has a strong focus on environmental issues of relevance to the Scotland Rural Development Programme. SAC's climate change team are assessing the cost-effectiveness of greenhouse gas mitigation measures which can be adopted by farmers. This not only involves interpreting what impact national projections for temperature and rainfall change will have at the farm level but also quantifying the levels of emissions coming from agricultural systems and the reductions which can be achieved. Other projects are also helping to understand the field, farm and landscape factors influencing the biodiversity value of moorlands and lowland grassland field margins.



Improving Water Quality

SAC's Environmental Focus Farm project involves co-operation between researchers and specialists at SAC, The Macaulay Institute, SEPA, and the farming community. The project is operating in the Cessnock catchment in Ayrshire on Low Holehouse Farm and the Lunan catchment in Angus on Mains of Balgavies. Each has differing agricultural systems and water quality priorities. Based on the Focus Farms themselves, local farmers have identified and evaluated measures to reduce any negative impact of agriculture on the water environment. Affordability, workability and environmental efficiency are the key benchmarks for assessment.

Informing Policy on Nitrate Vulnerable Zones (NVZs)

Assessing the soil nitrogen supply and its likely contribution to crop requirements is a key component of NVZ action programme measures, aimed at protecting water quality. Surplus nitrogen fertiliser remaining in the soil is also liable to increase losses of the greenhouse gas nitrous oxide. SAC took part in an HGCA-funded review into "Better estimation of soil nitrogen use efficiency by cereals and oilseed rape", along with TAG and Rothamsted Research.

SAC in partnership with ADAS has carried out an HGCA R & D Project to provide the cereals industry with evidence to update national recommendations on fertiliser nitrogen for modern varieties of winter wheat and spring barley.



Organic Waste to Land

SAC continues to expand its work to develop applications for organic materials in agriculture, horticulture, landscaping and land remediation. In 2007 and 2008, work has focussed on studies to determine the impact of green composts on soil properties and on the establishment and performance of crops and amenity vegetation. Projects have determined the economic and technical benefits of using composts in large-scale land remediation projects including those at Lafarge's Dunbar quarry and at Ravenscraig.

Energy Management Services

Steeply rising world oil demand and tight supplies continues to put pressure on energy price inflation. At the same time climate change is encouraging government to discourage fossil fuel usage, promote renewable energy generation and reduce carbon footprints. This, along with new support measures, is increasing the opportunities for farmers and land managers to introduce efficiency measures and invest in microgeneration renewable energy systems.

SAC has now introduced a new energy auditing service for a wide range of businesses. This allows improved decisions to be made when examining options in energy management. Such independent, specialist services allow energy efficiency gains and renewable energy microgeneration opportunities to be taken giving environmental and business benefits.



Education & Skills

SAC, Scotland's newest HEI is moving forward by developing a broader, more flexible suite of programmes to meet the new opportunities that food security, climate change and environmental stewardship issues present to the rural sector.

New Education Programmes

Tourism today is a global industry, and Scotland is blessed with a strong identity in both the international and domestic tourism markets. Activity tourism is a continually changing and evolving marketplace and to meet this challenge our new and exciting programme in activity tourism management provides students with an understanding of the broad spectrum of 'activity tourism' and enables graduates to address the specific needs in rural areas - such as nature tourism, equine tourism and food tourism. This complements, and is an important addition to, our sport and outdoor pursuits provision.



It is important to balance resource management with prudent stewardship of the environment. SAC offers courses that combine the study of environmental issues with developing the knowledge and applied skills necessary for sustainable resource management, allowing students to specialise in areas such as environmental monitoring or environmental management systems. With rising energy and fuel prices, many rural businesses are harnessing renewable



resources to reduce their dependence on fossil fuels, cut their carbon footprint and generate additional income. So to meet industry needs and support this emerging employment sector, we launched our green technology programme in 2007.

Delivering for our Customers

SAC is training the workforce for the future and we are providing this in a flexible way to ensure the maximum number of people can gain access, either by attending one of our campuses on a part-time or full-time basis or alternatively by online distance learning using our virtual learning environment. The Rural Development section of this report illustrates the diversity of training contributions made by SAC and our partners in 2007.

Scotland's Newest Higher Education Institution

SAC has been working towards obtaining Higher Education Institution (HEI) designation and Scottish Funding Council for Further and Higher Education (SFC) fundable body status. We are pleased to report that we have completed the work on meeting the criteria and from August 2008, SAC became Scotland's newest HEI and SFC fundable body. This confirms our position as Scotland's Land-based Higher Education College and provides an opportunity to further grow our capabilities through full membership of Universities Scotland and forming new partnerships with other tertiary education institutions.

