

Company Registration Number: SC374831  
Scottish Charity Number: SC041796

**THE JAMES HUTTON INSTITUTE  
(A SCOTTISH CHARITABLE COMPANY LIMITED  
BY GUARANTEE, NOT HAVING A SHARE  
CAPITAL)**

**TRUSTEES' REPORT  
AND GROUP FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2019**

**THE JAMES HUTTON INSTITUTE**  
**(Limited By Guarantee, Not Having A Share Capital)**

**TRUSTEES' REPORT AND GROUP FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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## **BOARD OF DIRECTORS**

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**Chairman:** Professor James Curran

Dr Ian Gambles  
Dr Deborah Keith  
Dr Stephen Hall  
Ms Joan MacNaughton  
Professor Ethel Marian Scott  
Professor Andrew Millar (resigned 3 October 2018)  
Mr Iain Reid  
Mr Archibald Gibson  
Ms Susan Davies  
Mr George Lawrie  
Professor Alyson Tobin  
Ms Elizabeth Wade

**Chief Executive:** Professor Colin Campbell

**THE JAMES HUTTON INSTITUTE**  
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**LEGAL AND ADMINISTRATIVE INFORMATION**

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**Constitution**

The James Hutton Institute is a company limited by guarantee, and a registered charity. The liability of the members is limited to a maximum of £1 each.

Charity number: SC041796. Company number: SC374831.

**Registered office**

The James Hutton Institute  
Invergowrie  
Dundee  
DD2 5DA

**Auditor**

French Duncan LLP  
Chartered Accountants and Statutory Auditor  
113 Finnieston Street  
Glasgow  
G3 8HB

**Solicitors**

CMS Cameron McKenna Nabarro Olswang LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EN

Thorntons Solicitors  
Whitehall House  
33 Yeaman Shore  
Dundee  
DD1 4BJ

**Bankers**

Clydesdale Bank  
1 Queens Cross  
Aberdeen  
AB15 4XU

# **THE JAMES HUTTON INSTITUTE**

*(Limited By Guarantee, Not Having A Share Capital)*

## **TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT**

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The Directors present their report and the audited financial statements for the year ended 31 March 2019.

### **Structure, Governance and Management**

The James Hutton Institute ('the Institute') was incorporated on 15 March 2010 and formally launched on 1 April 2011 following the merger of the Macaulay Land Use Research Institute (MLURI) and the Scottish Crop Research Institute (SCRI). It is a charitable company limited by guarantee (No. SC374831) and is registered as a charity with the Office of the Scottish Charity Regulator (No. SC041796).

### **Board Members**

The members of the Board who served during the period and at the date of this report are shown on page 1.

The Institute is a company limited by guarantee and the liability of members is limited to a maximum of £1 each. Board members are appointed for an initial period of three years. They are members of the Institute, directors of the company as defined by Company Law and trustees of the registered charity. The Chief Executive Officer, whose responsibilities are set out below, is not a director of the company nor are any other members of the organisation's Executive Management Team.

The main Board and its Committees meet at least four times each year and administer the Institute, ensuring that the standards required for effective Corporate Governance are met.

### **Responsibilities of Board Members**

The Board Members are responsible for preparing the Trustees' Report, incorporating the Strategic Report, and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice (UK GAAP)).

Company law requires the Board to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Institute and of the incoming resources and application of resources, including the income and expenditure, of the Institute for that period. In preparing those financial statements, the Board is required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP 2015 (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures that are disclosed and explained in the financial statements;
- ensure that the statements have been prepared on a going concern basis, unless it is inappropriate to assume that the Institute will continue in operation.

The Board is responsible for ensuring that the organisation keeps adequate accounting records that disclose, with reasonable accuracy at any time, the financial position of the Institute 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. They are also responsible for safeguarding the assets of the Institute and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Board Members' Interests**

The members who held office throughout the year had no financial interest in the Institute. No contracts exist with the Institute in which a member or director has a material interest.

A Register of Interests has been compiled, is regularly updated and is reviewed annually.

# **THE JAMES HUTTON INSTITUTE**

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## **TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT (CONTINUED)**

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### **Appointment of Board Members**

Appointment procedures for Board members are set out in the Corporate Governance Statement of The James Hutton Institute which:

- aims to provide a clear guide to ensure a fair, open and transparent appointments process that produces a quality outcome that commands public confidence; and
- ensures that the Governing Board is representative of the Institute's research themes, its end-user interest, stakeholder groups and gender balance.

### **Training of Board Members**

New Board members take part in an induction process to brief them on their legal obligations under charity and company law, the content of the Memorandum and Articles of Association, the committee and decision-making processes, the strategic plan, risk policy and financial performance. They are also given an opportunity to meet key members of staff and other Board members during the induction process.

### **Management of the Organisation**

The Institute is managed by an Executive Team, who have functional responsibilities across the business including Science, Income, Finance and Operations. The Executive Team are managed and the organisation is led by the Chief Executive Officer.

### **Responsibilities of the Chief Executive**

The responsibilities of the Board that have been delegated to the Chief Executive include ensuring that:

1. the financial management processes, procedures and systems of the Institute are operated correctly and with propriety;
2. those procedures promote the efficient and economic conduct of business;
3. there are adequate safeguards against misuse, wasteful or fraudulent use of monies including an effective system of internal audit;
4. value for money from public funds is secured;
5. spending proposals are appraised carefully;
6. all expenditure is related to the achievement of clearly defined objectives, firm targets and effective performance measures, as set out in the Institute's Corporate Plan;
7. there is close observance of the delegated authorities set out in the terms and conditions attached to the award of grant.

### **Nominations and Remuneration Committee**

The Institute operates independently having previously operated within the provisions of the Biotechnology and Biological Sciences Research Council (BBSRC) Staff Code. The Committee reviews the remuneration of the CEO, Executives and Senior Managers of the Group. The committee also reviews the performance of the Chair and the Board overall as well as the performance of Chief Executive. The committee is responsible for advising the Board on the remuneration of non-Executive Directors, Chairs of Committees and Directors' pay. The Committee works to terms of reference agreed by the main Board.

### **Audit and Finance Committee**

The Audit and Finance Committee comprises at least three members of the Institute's Board and works to terms of reference agreed by the main Board.

The remit of the Committee includes the appointment of external and internal auditors and engagement with them to improve internal controls and manage risk. This includes agreeing audit plans, receiving reports, and ensuring that appropriate action is taken in response to recommendations.

The Committee is also responsible for reviewing annual budgets, monitoring key performance indicators, considering the management accounts on a regular basis, normally every two months, and advising on financial matters such as treasury management, reserves policy and capital investment.

# **THE JAMES HUTTON INSTITUTE**

***(Limited By Guarantee, Not Having A Share Capital)***

## **TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT (CONTINUED)**

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### **Advisory Committee for Science**

The Advisory Committee for Science comprises at least four members of the Institute's Board and works to terms of reference agreed by the main Board.

The Committee's remit is to advise and support the Institute Board and the Chief Executive in fostering a thriving research and research support culture, to oversee the design and implementation of external assessments of the quality, relevance and impact of the Institute's science programmes. To support the Chief Executive and management in mapping current research skills to opportunities for funding and partnerships to deliver impact and to support the Chief Executive and management in ensuring a purposeful evolution of science capacity to meet future needs. The Committee reports on these matters to the Board at each board meeting.

### **Corporate Governance**

Corporate Governance is defined as the system by which organisations are directed and controlled. For Corporate Governance to be considered effective there must be high standards in the three key areas of openness, integrity and accountability.

There is a clear division of responsibilities between the members of the Board and the executive employees of the Institute, and the Institute benefits from the expertise of the non-executive Board members.

Whilst the Board is ultimately responsible for the Institute's system of internal control and risk management, the Chief Executive has responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, whilst safeguarding the public funds and assets provided to the Institute. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. It is an ongoing process designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 March 2019 and up to the date of approval of the annual report and accounts.

The Chief Executive also has responsibility for reviewing the effectiveness of the system of internal control. To assist the Chief Executive in carrying out these responsibilities and to meet the requirements of the Board, the following processes have been established:

- the senior managers of the Institute meet regularly to consider the plans and strategic direction of the Institute;
- periodic reports from the Chair of the Audit & Finance Committee concerning internal control;
- regular reports by internal auditors which include their independent opinion on the adequacy and effectiveness of the systems of internal control, together with recommendations for improvement;
- regular reports from managers and Committees, with responsibility for specific areas and services, on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects;
- comments made by the external auditors in their management letters and other reports;
- implementation of a system of quality control throughout the Institute and its subsidiary to the standards specified under the quality standard IS09001:2015;
- procedures and policies to ensure the application of good scientific practice, as required by external funders such as the UK Research Councils;
- establishment of key performance and risk indicators and reports thereon;

# **THE JAMES HUTTON INSTITUTE**

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## **TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT (CONTINUED)**

- preparation of Business Plans, which are approved by the Board, along with regular financial reports and forecasts to the Board and senior managers;
- maintenance of an organisation-wide risk register;
- the development of a business continuity plan.

The Chief Executive's review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letters and other reports.

The Chief Executive reports to the Board on significant changes in the business and the external environment which affect significant risks and provides the Board with regular financial information which includes key performance and risk indicators. Where areas for improvement in the system are identified, the Board considers the recommendations made by the Audit & Finance Committee.

The Board recognises its responsibility for establishing, maintaining and reviewing the system of internal control and the members of the Board confirm that through the Audit & Finance Committee they have reviewed, and are satisfied with, the effectiveness of the Institute's systems of internal control and risk management.

### **Reserves policy**

The Board and the Executive have reviewed our Reserves Policy and taking account of liabilities and unrestricted reserves, the Board have decided that they will plan to maintain a minimum unrestricted reserve within a range of between £3m and £6m. This year our unrestricted reserves at the end of March 2019 are £5.7m and compliant with our Reserves Policy. The Board will continue to monitor the Reserves position given the ongoing challenges in securing sufficient income and managing cost pressures in future years.

### **Investment Policy**

The policy of the Institute is that monies not immediately required for operations should be held in a charity high interest account with interest credited to the income and expenditure account. Funds are also held in short to medium term deposit accounts to achieve a higher interest rate for its cash reserves.

### **Objectives and Activities**

The James Hutton Institute is a world class organisation delivering evidence-based solutions to the challenges facing the use of land and natural resources. In 2015 we developed a new Corporate Plan for the James Hutton Group informed by the reviews of our Science Groups, our Research Themes, our Board, staff and key external stakeholders. This plan is regularly reviewed and forms the basis for our annual Operational Plan.

The legal and administrative information detailed on pages 1 and 2 forms part of this report.

The principal activity of the Institute is to conduct research in soil, plant and environmental sciences leading to knowledge, innovation and services to meet the multiple demands on land and natural resources.

The Institute is located in facilities based in Aberdeen and Invergowrie; the Aberdeen site is owned by the Institute and the Invergowrie site is leased from Scottish Government. The Institute operates three Research Farms, at Glensaugh in Aberdeenshire (leased), Mylnefield (leased) and Balruddery (owned) in Perthshire and Hartwood (leased) in North Lanarkshire. A proportion of the buildings and equipment used by the Institute are funded by capital grant from RESAS (Rural & Environment Science & Analytical Services division in the Scottish Government). In Dundee, Glensaugh and Hartwood, the Institute operates from land owned by and rented from the Scottish Ministers.



# THE JAMES HUTTON INSTITUTE

*(Limited By Guarantee, Not Having A Share Capital)*

## TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT (CONTINUED)

### Achievements and Performance

The James Hutton Institute has continued to build on our many significant scientific research successes we have had over recent years, reflecting our commitment to excellence in our scientific research. We continue to pursue the application of our science to help address the global challenges specifically related to the use of land and natural resources. This year has seen further scientific breakthroughs, the publication of journals, and progress in building on our unique global collaborations, such as the evolving partnerships in Africa and the Indian sub-continent, where we are working closely with UK and local Governmental agencies. This was the fourth full year of operation for our commercial subsidiary, James Hutton Limited (JHL), and performance improved this year versus 2018, with the business operating profitably. This reflected the recovery in the oil and gas sector, and growth in other parts of our analytical services such as Lipids. JHL continued to be the main vehicle for converting the Institute's Intellectual Property into commercial outcomes, while also building on professional services offerings across the group as a whole.

Our gender mix of staff was as follows: male 46% and female 54%. At senior management level our gender mix was male 71% and female 29%. The number of women on the Institute Board is six out of twelve directors, maintaining our strategy to achieve parity of numbers of women and men on the Board by 2020. This is a significant achievement and well ahead of schedule. The Board continues to work on the basis of phased retirements and recruitments to ensure this continuity going forward. A matrix of skills and experience has been drawn up to guide new recruitments.

### **Financial Review**

The James Hutton Institute continues to look for opportunities to increase our external earnings and commercial sales, while at the same time reducing our overall reliance on Scottish Government research contracts. In 2018/19 the Institute's external earnings measured by the value of contracts awarded in the year totalled £7.5m, which was down slightly on the previous year (£7.9m). While income was stable year on year, the difficulty of growing additional income streams reflects the challenges that continued to be faced by the organisation, in part because of the increasingly competitive nature of winning grants and other external funding, constraints resulting from a sustained period of austerity across the UK but also due to the cyclical nature of grant awards from bodies such as the EU. In 2018, the Institute applied for Independent Research Organisation (IRO) status with UKRI and we were formally granted IRO status in late June 2018.

Staff costs year on year are down from £23.6m to £23.5m, reflecting the cost of pay awards being offset by not filling some vacant positions. Capital Income continues to be challenging due to the age of the estate and the ongoing need for re-investment in scientific equipment, farm equipment and infrastructure. Whilst the level of the Scottish Government element of this dropped significantly from £3.1m in 2011 to £100k in 2017, this year we saw a capital grant of £299k from Scottish Government. This was a welcome award and allowed the Institute to address some urgent areas of capital expenditure. This in and of itself does not address the long-term issue of obtaining additional capital funds and alternate sources of financing, which continues to be a priority. This may be addressed in part by the award of two bids for major infra-structure investments, with a combined total of £62m, from the Tay Cities Deal, that the Institute was awarded in late 2018. The outturn for the year was a deficit of £1.5m (2017/18: £0.7m), which this year included a number of one-off income items that allowed us to come within budget. We are continuing to develop our Capital Plan and Renewables Strategy, focusing on the effective use of our estate, reducing energy costs and the carbon footprint of the Institute.

The organisation uses a number of Key Performance Indicators to monitor the performance of financial and non-financial matters. The Performance Indicators that are monitored include Total Income, Financial Surplus or Deficit, the number of Scientific journal papers published, impact assessments, Staff Numbers, Corporate Social and measures of waste recycled and CO2 emissions. The main financial KPIs are included in this report below. For the main non-financial KPIs used by the Institute, the following are reported:

1. Number of Scientific Journals Published:	341	(2018: 358)
2. Staff numbers:	578	(2018: 573)
3. Percentage of waste recycled:	88%	(2018: 48%)
4. CO2 emissions:	3,896 tonnes	(2018: 4,706 tonnes)

# THE JAMES HUTTON INSTITUTE

*(Limited By Guarantee, Not Having A Share Capital)*

## **TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT (CONTINUED)**

James Hutton Limited is a wholly owned subsidiary of the Institute. Its principal activity is to generate commercial income from the exploitation of intellectual property developed at the Institute, build close relationships with partners across a number of industries including food and drink, Agri-tech, oil and gas and environmental services sectors and help diversify the customer base and revenue streams of the Institute. Over the medium to longer term this will help reduce the reliance of the Institute on government funding. The long-term resilience of The James Hutton Institute depends on increasing / diversifying our income streams and we are focusing on our key areas of strength and potential growth. We will be investing in these areas to support capability and capital developments.

The James Hutton Institute continues to demonstrate the value that science brings both to the economy and to a wide range of stakeholders. In an environment of ever-changing global pressures and concerns, we also believe The James Hutton Institute is making a difference and contributing to a more sustainable world.

### **Financial Statements**

The Board of Directors ('the Board'; 'Board Members') presents the report and financial statements for the year ended 31 March 2019. The statements comprise Group accounts for The James Hutton Institute and its commercial subsidiary, James Hutton Limited.

The capital and reserves as reported in the financial statements at 31 March 2019 totalled £24.8m and comprised of:

- Endowment funds - £0.4m
- Restricted funds - £18.7m
- Unrestricted funds - £5.7m

The main highlights of the financial statements are:

- The group made an operating surplus before depreciation of £1.0m (2018: £1.6m). After depreciation, the group's deficit for the year was £1.5m (2018: £0.7m).
- Total income was £36.8m (2018: £36.9m). RESAS funding awarded which included for the Strategic Research Programme and Centres of Expertise this year was £22.2m (2018 £22.2m).
- Capital Income in the year funded directly by Scottish Government was £0.3m (2018 £0.6m). A further £518k of capital expenditure was funded from other grant sources.
- Income recognised in the year from Institute contracts with a range of external funders was comparable year on year at £7.6m. Other income includes research farms income, tuition fees and bank interest and was £2.0m (2018: £1.9m).
- James Hutton Limited had a turnover of £4.1m (2018 £3.8m) and made a surplus of £0.9m (2018: £0.6m). A Gift Aid distribution to its parent company of £0.3m (2018: £0.5m) has been agreed post year end.

### **Future Look**

The funding environment will continue to be challenging for the foreseeable future with a number of factors such as future UK and Scottish Government spending constraints and the continued uncertainty surrounding EU research funding in a post Brexit world being some of the key issues. Further tightening of the funding we receive from RESAS for the work carried out on the Strategic Research Programme is highly likely and, as we approach the end of the current Strategic Research Programme the shape of and value of future programmes is not yet set. This has refocused our efforts to develop our Income Generation Strategy, International Strategy and to grow both our external contract income and commercial revenues.

### **Risks**

The Institute uses a number of ways to manage and mitigate risk. These include the use of Risk Registers across the organisation, a Risk Appetite Statement and policy / position statements on a number of key operational matters. In addition, the Institute Risk Register is reviewed by our board and updated regularly.

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## **TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT (CONTINUED)**

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This Risk Register identifies the key operational risks to the organisation and our mitigating actions, which are reviewed regularly by our Board. As part of this process, the following key risks have been identified:

- Failures in delivery of SG research and reductions or retention of funds. New SG Programme and new models of delivery being considered for 2021.
- Failure to generate enough non-Scottish Government income and recognise/capitalise on intellectual property, funding opportunities or other commercial developments.
- Brexit short-term risk to EU funding due to uncertainty and medium- to long-term risk due to withdrawal.
- Loss of key members of staff or inability to attract/retain staff due to availability of funding, salary restrictions, organisation arrangements, lack of research resources or problems with work permits/visas and Brexit uncertainties. Organisational change with new structures and cost efficiencies could run the risk of loss of staff.
- The Institute is developing a number of high profile, high value capital projects - International Barley Hub, Advanced Plant Growth Centre, Craigiebuckler Campus Project (CCP) and Renewables. Should all of these projects be successful the implementation phase could stretch the Executive and project teams and distract attention from the day to day running of the Institute should there not be sufficient management resource available to deliver these projects.

These specific risks are monitored and managed on a regular basis and appropriate mitigation is put in place where appropriate.

### **Financial instruments and credit risk**

The credit risk is primarily attributable to its trade and other debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The Institute has no significant concentration of credit risk, with exposure spread over a large number of customers. The credit risk on liquid funds is limited because the counterparties are with credit-ratings assigned by international credit-rating agencies. The Institute does not enter into any derivative financial instruments.

### **Other Information**

#### **Payment of Creditors**

The policy of the Institute is to pay suppliers within the period contractually agreed. Payment normally occurs within 28 days of either receipt of the goods or invoice, whichever is the later. Where contractual obligations require payment in less than 28 days this is accommodated. In all instances payment is only made after the authorised Institute representative is satisfied that the goods or services provided are in accordance with the agreed terms and conditions.

#### **Equal Opportunities**

The Institute is an Equal Opportunity Employer committed to effect positive policies in recruitment, training and career development for staff members (and potential staff members). In accordance with our Equality and Diversity Policy all staff, regardless of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation should receive equal treatment. In recognition of these commitments the Institute holds a bronze Athena SWAN accreditation addressing gender equality across a number of disciplines and is a Stonewall Diversity Champion, a Disability Confident Committed Employer and actively promotes flexible working conversations from prospective and current employees. As a result, and in support of these initiatives, the Institute may use positive action to achieve their legitimate ambition.

**THE JAMES HUTTON INSTITUTE**  
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**TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT (CONTINUED)**

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**Health and Safety**

The Institute seeks to maintain and develop a positive attitude between all staff, management and trade unions with regard to health, safety and welfare at work issues. The Institute has comprehensive health and safety systems, procedures and clearly laid out policies to promote a strong health and safety culture.

**Staff Communications**

For the provision of information and consultation with employees the following arrangements are in place:

Institute (Hutton) Negotiating and Consultative Committee	Meetings of Union representatives and management, held at least twice per year or more frequently if necessary.
Health, Safety & Welfare Committee	Main safety committee for the Institute as a whole. Sub-committees meet for laboratory, estates, research station, policy and genetic modification issues
Environmental Committee	Staff led Committee which considers environmental issues, policies and solutions which impact on staff, the Institute and its working environment.
Health and Safety Manual	Issued to all staff on appointment.
Intranet Site "Connect"	Updated daily with news, staff information, Blogs and updates.
Staff Bulletin	Circulated by email weekly.
Staff Code	Copies available for reference on the Internet and in the various locations within the Institute.
Library information	Information on European and UK research initiatives and funding is circulated to staff at least weekly, and information on new library resources is circulated every two months.

In addition, the Institute has a comprehensive induction and orientation programme for new members of staff. All notices, manuals and minutes of the Committee meetings are published on the Institute Intranet.

The Institute recognises Prospect as the Trade Union representing the Institute's staff and in addition the Institute has its own Negotiating and Consultative Committee.

**Evaluating the Quality of Service**

Regular independent peer reviews of programmes of research, knowledge transfer and end user relevance are undertaken to evaluate the quantity, relevance and quality of output. All published work from the Institute is refereed internally and that appearing in international journals is also refereed externally. The Institute's analytical facility has United Kingdom Accreditation Scheme (UKAS) 17025 status and the Institute holds both the ISO 9001:2015 Quality Assurance standard and the ISO 14001:2015 Environmental Management standard. The UKAS 17025 accreditation is externally reviewed annually and the ISO 9001 and ISO 14001 certifications are reviewed biannually.

**THE JAMES HUTTON INSTITUTE**  
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**TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT (CONTINUED)**

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**Environmental Policy**

As part of the Institute's commitment to sustainable development, it will conduct its activities in such a manner that reduces its impact on the environment. To assist in achieving this commitment, an Environmental Committee oversees all relevant environmental matters and reports to the bi-monthly Senior Managers' Meetings. The Committee monitors relevant aspects of the Institute's activities and recommends such changes as are deemed necessary to achieve a smaller environmental footprint, including an energy and waste management strategy which attempts to minimise emissions to the environment and ensures that the standards set by all relevant legislation is either complied with or exceeded. A standing initiative called "Sustainable Hutton" has been established with a dedicated sustainability officer (0.5FTE), an executive and Board champion and group of volunteer staff to undertake specific projects aimed at increasing our corporate sustainability and responsibility.

**Access to Information and Data**

The Institute policy regarding to access to information derived from programmes of research commissioned by RESAS, is determined on the one hand by the principles and objectives of 'open government' and on the other by the expectation that the Institute will market its intellectual property through copyright, licence or patent. Access to information and data arising from other contracts is subject to the conditions agreed with the client.

**Statement of disclosure to auditor**

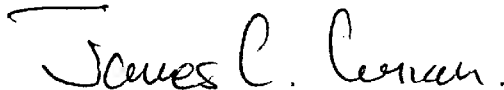
Board members confirm that:

- a) so far as they are aware, there is no relevant audit information of which the company's auditor is unaware, and
- b) they have taken all the steps they ought to have taken as Board Members in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of the information.

**Auditors**

Under section 487(2) of Companies Act 2006, French Duncan LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earliest.

On behalf of the Board of Directors:



Professor James Curran  
Chairman

Date: 4/12/2019



**THE JAMES HUTTON INSTITUTE**  
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF THE  
JAMES HUTTON INSTITUTE**

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**Opinion**

We have audited the financial statements of The James Hutton Institute (the "parent charitable company") and its subsidiary (the "group") for the year ended 31 March 2019 which comprise the Consolidated Statement of Financial Activities, the Group and Parent Charitable Company Income and Expenditure Account, the Group and Parent Charitable Company Balance Sheets, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 31 March 2019, and of the group's and parent charitable company's incoming resources and application of resources, including the group's and parent charitable company's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the 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.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

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

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or 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.

**THE JAMES HUTTON INSTITUTE**  
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF THE  
JAMES HUTTON INSTITUTE (CONTINUED)**

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**Other information**

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

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

We have nothing to report in this regard.

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

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

- the information given in the trustees' report (incorporating the strategic report and the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of our knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

- adequate and proper 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

# **THE JAMES HUTTON INSTITUTE**

**(Limited By Guarantee, Not Having A Share Capital)**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF THE JAMES HUTTON INSTITUTE (CONTINUED)**

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### **Responsibilities of trustees**

As explained more fully in the Board Members' Responsibilities Statement set out on page 3, the Board of Members (who are also the directors of the charitable company for the purposes of company law and trustees for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of 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 regulations made under those Acts.

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or parent charitable company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



**THE JAMES HUTTON INSTITUTE**  
**(Limited By Guarantee, Not Having A Share Capital)**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF THE  
JAMES HUTTON INSTITUTE (CONTINUED)**


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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Use of our report**

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



**Antony J Sinclair (Senior Statutory Auditor)**  
**for and on behalf of French Duncan LLP**

Chartered Accountants and Statutory Auditor  
133 Finnieston Street  
Glasgow  
G3 8HB

Date: 12/12/2019.

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

**THE JAMES HUTTON INSTITUTE**  
(Limited by Guarantee, Not Having A Share Capital)

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	Note	Unrestricted Funds	Restricted Funds	Endowment Funds	Total Funds 2019	Total Funds 2018
		£000	£000	£000	£000	£000
<b>Income and endowments from:</b>						
Other trading activities	7	4,123	-	-	4,123	3,835
Investments	5	52	-	8	60	47
Charitable activities	3	1,280	31,296	-	32,576	33,011
<b>Total income and endowments</b>		<b>5,455</b>	<b>31,296</b>	<b>8</b>	<b>36,759</b>	<b>36,893</b>
<b>Expenditure on:</b>						
Raising funds	7	3,264	-	-	3,264	3,232
Charitable activities	6	1,257	33,727	-	34,984	34,368
<b>Total expenditure</b>		<b>4,521</b>	<b>33,727</b>	<b>-</b>	<b>38,248</b>	<b>37,600</b>
Net (losses)/gains on fixed asset investments	9	-	-	(8)	(8)	16
<b>Net (expenditure)/income</b>		<b>934</b>	<b>(2,431)</b>	<b>-</b>	<b>(1,497)</b>	<b>(691)</b>
Transfers between funds		(1,364)	1,364	-	-	-
<b>Net movement in funds</b>	<b>25</b>	<b>(430)</b>	<b>(1,067)</b>	<b>-</b>	<b>(1,497)</b>	<b>(691)</b>
Balances at 1 April 2018		6,167	19,805	361	26,333	27,024
<b>Balance at 31 March 2019</b>		<b>5,737</b>	<b>18,738</b>	<b>361</b>	<b>24,836</b>	<b>26,333</b>

Restricted funds are those received for specific research purposes from RESAS and other research procurers. Unrestricted funds are from charitable and commercial sources on which there are no restrictions on how they are applied. The purpose of Endowment funds is explained in note 16.

Details of the net movements in restricted and unrestricted funds are given in notes 17 and 18.

The Institute has not presented its own Statement of Financial Activities as information regarding net income and net movement in funds for the financial year can be obtained from pages 17 to 18.

All the above figures relate to the continuing activities of the Group and the Institute.

**THE JAMES HUTTON INSTITUTE**  
(Limited by Guarantee, Not Having A Share Capital)

**INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	Note	Group		Institute	
		2019	2018	2019	2018
		£000	£000	£000	£000
<b>Income:</b>					
Grants from RESAS	2	23,065	23,529	23,065	23,529
Research grants and contracts		7,560	7,593	7,560	7,593
Intercompany charges		-	-	1,384	1,389
Gift aid received		-	-	548	111
Other income	3	1,951	1,889	1,951	1,889
Trading income from subsidiaries	7	4,123	3,835	-	-
Gains on fixed asset investments		-	16	-	16
Interest and investment income	5	60	47	50	41
<b>Gross income</b>		<b>36,759</b>	<b>36,909</b>	<b>34,558</b>	<b>34,568</b>
<b>Expenditure:</b>					
Staff costs		23,468	23,574	21,948	22,167
Scientific consumables		5,946	6,216	5,609	5,998
Depreciation	8	2,485	2,304	2,455	2,282
Other costs	29	6,357	5,506	6,364	5,278
<b>Total expenditure</b>		<b>38,256</b>	<b>37,600</b>	<b>36,376</b>	<b>35,725</b>
<b>Net expenditure before tax</b>		<b>(1,497)</b>	<b>(691)</b>	<b>(1,818)</b>	<b>(1,157)</b>
Tax payable		-	-	-	-
<b>Net expenditure</b>		<b>(1,497)</b>	<b>(691)</b>	<b>(1,818)</b>	<b>(1,157)</b>

All the above figures relate to the continuing activities of the Group and the Institute.

There is no material difference between the deficit for the financial year stated above and its historical cost equivalent.

**THE JAMES HUTTON INSTITUTE**  
(Limited by Guarantee, Not Having A Share Capital)

**BALANCE SHEETS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	Note	Group		Institute	
		2019 £000	2018 £000	2019 £000	2018 £000
<b>Fixed Assets:</b>					
Tangible assets	8	20,283	21,334	19,705	21,270
Investments	9	214	222	214	222
		<u>20,497</u>	<u>21,556</u>	<u>19,919</u>	<u>21,492</u>
<b>Current Assets:</b>					
Stocks	10	350	386	350	386
Debtors	11	5,391	6,999	4,593	6,182
Cash at bank and in hand		4,028	2,709	3,750	2,046
Investments - bank deposit accounts	12	4,096	5,083	3,084	4,080
		<u>13,865</u>	<u>15,177</u>	<u>11,777</u>	<u>12,694</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(9,310)</u>	<u>(10,265)</u>	<u>(8,994)</u>	<u>(9,747)</u>
<b>Net Current Assets</b>		<u>4,555</u>	<u>4,912</u>	<u>2,783</u>	<u>2,947</u>
<b>Total assets less current liabilities</b>		<u>25,052</u>	<u>26,468</u>	<u>22,702</u>	<u>24,439</u>
<b>Creditors: amounts falling due after more than one year</b>	14	(216)	(135)	(216)	(135)
<b>Net Assets</b>	19	<u>24,836</u>	<u>26,333</u>	<u>22,486</u>	<u>24,304</u>
<b>Funds of the charity</b>					
Endowment funds	16	361	361	361	361
Restricted funds	17	18,738	19,805	18,738	19,805
Unrestricted funds	18	5,737	6,167	3,387	4,138
<b>Total charity funds</b>	19	<u>24,836</u>	<u>26,333</u>	<u>22,486</u>	<u>24,304</u>

These financial statements were approved by the Board of Governors on  
and were signed on its behalf by:

4/12/2019

*James C. Curran*

*Ian Gambles*

Professor James Curran  
Chairman

Dr Ian Gambles  
Director

Company Registration No. SC374831

**THE JAMES HUTTON INSTITUTE**  
**(Limited by Guarantee, Not Having A Share Capital)**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 £000	2018 £000
<b>Net cash provided by/(used in) operating activities</b>	20	<u>1,213</u>	<u>(764)</u>
<b>Investing activities</b>			
Purchase of tangible fixed assets		(1,148)	(896)
Proceeds on disposal of tangible fixed assets		7	6
Bank interest received		52	39
Dividends received		8	8
Capital grants received		312	926
<b>Net cash flow from investing activities</b>		<u>(769)</u>	<u>83</u>
<b>Financing activities</b>			
Capital element of hire purchase repayments		(112)	(29)
<b>Net cash flow from financing activities</b>		<u>(112)</u>	<u>(29)</u>
<b>Change in cash and cash equivalents</b>		332	(710)
Cash and cash equivalents at start of reporting period	21	<u>7,792</u>	<u>8,502</u>
Cash and cash equivalents at end of reporting period	21	<u><u>8,124</u></u>	<u><u>7,792</u></u>

**THE JAMES HUTTON INSTITUTE**  
**(Limited by Guarantee, Not Having A Share Capital)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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**1 Principal accounting policies**

**Company Information**

The James Hutton Institute is a private company limited by guarantee incorporated in Scotland. The registered office is given in the charity information page of these financial statements. The nature of the charity's operations and principal activities are set out within the Trustees' report on page 3.

**General information and basis of preparation**

These accounts have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), "Accounting and Reporting by Charities", the Statement of Recommended Practice for charities applying FRS 102 and the Companies Act 2006. The financial statements have also been prepared in accordance with the Charities Accounts (Scotland) Regulations 2006 and the Charities and Trustee Investment (Scotland) Act 2005. The company is a Public Benefit Entity as defined by FRS 102.

The charity has availed itself of s396 of the Companies Act 2006, as permitted in paragraph 4(1) of Schedule 1 of SI 2008 no. 409, and adapted the Companies Act formats to reflect the special nature of the charity's activities.

The accounts are prepared in sterling, which is the functional currency of the Institute. Monetary amounts in these financial statements are rounded to the nearest thousand pounds sterling.

The accounts have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The principal accounting policies adopted are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

**FRS 102 reduced disclosure framework - parent charitable company**

The Institute qualifies to adopt the reduced disclosure framework for FRS 102 and has taken advantage of the disclosure exemptions available to it.

The Institute has taken advantage of the following disclosure exemptions under FRS 102:

- (a) The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17 (d); and
- (b) The requirement of Section 33 Related Party Disclosures paragraph 33.7.

**Going concern**

At the time of approving the accounts, the Board has a reasonable expectation that the Institute has adequate resources to continue operations for the foreseeable future. The Institute has received confirmation of RESAS grant funding for 2019/20 of £21.6m. It has bids for the 2020/21 year with RESAS, which form part of the 2016 – 2021 Strategic Research Programme, for which funding has been agreed in principal. The Board has considered sensitised financial forecasts, which take account of uncertainties in future funding, and are satisfied that it is appropriate to continue to prepare the financial statements on the going concern basis.

**Basis of consolidation**

The group financial statements consolidate the accounts of the Institute and its commercial subsidiary, James Hutton Limited (JHL).

**THE JAMES HUTTON INSTITUTE**  
**(Limited by Guarantee, Not Having A Share Capital)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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**1 Principal accounting policies (continued)**

**Gift aid distributions**

Gift aid distributions from the subsidiary to the parent charitable company are accounted for as reserve movements in the subsidiary, and income in the Institute, in the period in which they are formally approved.

**Government Grants**

Grants for current and capital expenditure are credited to income in the year in which they are received unless the Institute has not satisfied the conditions of entitlement before the end of the reporting period.

**Grants and contract income from external sources**

Grants are credited to the income and expenditure account to the extent of the expenditure charged, due to the inherent variability of research work and the timescale over which it is carried out. However, a prudent estimate of any surplus or deficit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. Amounts receivable and unexpended balances are included in debtors and creditors respectively.

**Resources Expended**

Resources expended are included on an accruals basis inclusive of any irrecoverable VAT.

Costs are allocated to projects and cost centres on a full economic costing basis. Those costs which can be identified as being attributable to specific activities are charged directly to them. Indirect costs, attributable to more than one activity, are apportioned across projects and cost categories on the basis of an estimate of the proportion of time spent by staff on those activities.

**Intangible fixed assets**

Acquired goodwill is capitalized and amortised over its useful economic life.

**Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets, by equal instalments over their estimated useful economic lives as follows:

Heritable buildings	50 years
Agricultural buildings and structures	25 years
Plant, machinery and equipment	3-10 years
Motor vehicles	5 years

No depreciation is provided on heritable land.

**Impairment of fixed assets**

At each reporting end date, the Institute reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

**THE JAMES HUTTON INSTITUTE**  
**(Limited by Guarantee, Not Having A Share Capital)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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**1 Principal accounting policies (continued)**

**Fixed asset investments**

Investments in subsidiary undertakings and other unlisted investments are included at cost except where provision is made against an identified permanent diminution in value.

Listed investments are stated at fair value which is determined by reference to quoted market values.

**Current asset investments**

Investments are in relation to fixed term bank deposit accounts.

**Investment income**

Dividends from listed investments and bank interest are included in the income and expenditure account when they are receivable.

**Stocks**

Stocks are stated at the lower of cost and net realizable value. The value of livestock has been stated at 60% of market value at the balance sheet date as estimated by the farm managers.

**Fund accounting**

Funds held by the Institute are classified as:

- Unrestricted funds – these are funds which can be used in accordance with the charitable objects at the discretion of the Trustees; or
- Restricted funds – these are funds that can only be used for particular restricted purposes within the objects of the Institute; or
- Endowment funds – these are funds that are required to be maintained as permanent capital and can only be used for particular restricted purposes as specified by the donor.

**Financial Instruments**

The Institute has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the Institute becomes party to the contractual provisions of the instrument.

Financial assets are offset, with the net amounts presented in the accounts when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**Basic financial assets**

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



**THE JAMES HUTTON INSTITUTE**  
**(Limited by Guarantee, Not Having A Share Capital)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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**1 Principal accounting policies (continued)**

***Impairment of financial assets***

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

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in net income (expenditure).

***Derecognition of financial assets***

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

***Basic financial liabilities***

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

***Classification of financial liabilities***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Institute after deducting all of its liabilities.

***Derecognition of financial liabilities***

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

***Taxation***

The Institute has been granted charitable status by HMRC and is not therefore liable to corporation tax on charitable income and gains.

***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the statement of financial activities.

***Research and development expenditure***

All research and development expenditure is written off in the year in which it is incurred.

**THE JAMES HUTTON INSTITUTE**  
**(Limited by Guarantee, Not Having A Share Capital)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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**1 Principal accounting policies (continued)**

**Finance and operating leases**

The annual rentals for operating leases are charged to the income and expenditure account on a straight line basis over the lease term. Assets acquired under finance leases are included in fixed assets and the capital element is shown as obligations under finance leases.

Assets held under finance leases are recognised at the lower of the assets fair value at the date of inception and the present value of the minimum lease repayments. The related liability is recorded in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income and expenditure account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**Employee benefits**

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Institute is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

**Post retirement benefits**

The Group operates a defined contribution pension scheme which has been offered to all employees since 1 April 2017. Employer contributions to the scheme are charged to income and expenditure in the year to which they relate.

Details of the pension schemes are given in note 23.

**Critical accounting estimates and judgements**

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

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

The following judgements or estimation uncertainties have a significant effect on amounts recognised in the financial statements:

- In determining the amount of any surplus or deficit to be recognised on external grants and contract income, management must consider the likely eventual outcome of the contract. This involves judgement in determining the stage of completion and an estimate of further costs to come.
- Management make an assessment of the recoverability of trade and other debtors and exercise judgement in determining the level of any provision for doubtful debts.
- Management must also consider whether there has been any impairment of fixed assets.

**THE JAMES HUTTON INSTITUTE**  
**(Limited by Guarantee, Not Having A Share Capital)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**2 Grants received from RESAS**

	<b>2019</b>	2018
	<b>£000</b>	£000
<b>Group and Institute</b>		
Opening deferred income	422	81
Grants for current expenditure	22,172	22,237
Grants for capital expenditure	1,049	599
Other Scottish Government grants	412	1,034
	<u>24,055</u>	<u>23,951</u>
Income deferred - Hydro Nation International	(103)	(383)
- Centre for Plant Health	(97)	(39)
- SEFARI	(40)	-
- RESAS, Asbestos remedial work	(750)	-
	<u>23,065</u>	<u>23,529</u>

All amounts included above are attributable to restricted funds.

**3 Income and endowments from charitable activities**

	<b>2019</b>	2018
	<b>£000</b>	£000
<b>Group</b>		
RESAS grants for revenue expenditure	22,172	22,237
RESAS grants for capital expenditure	299	599
Other Scottish Government grants	594	693
Grants from MDT for revenue expenditure	490	858
Grants from MDT for capital expenditure	13	28
Other grants and contract income of Institute	7,057	6,707
Other income	1,951	1,889
Total incoming resources from charitable activities	<u>32,576</u>	<u>33,011</u>
<b>Attributable to funds as follows:</b>		
Restricted funds	31,296	31,347
Unrestricted funds	1,280	1,664
	<u>32,576</u>	<u>33,011</u>

**Analysis of other income**

	<b>2019</b>	2018
	<b>£000</b>	£000
<b>Group and Institute</b>		
Facilities income	226	226
Centre for Knowledge	205	225
Other rental income	21	19
Student fees	26	77
Services	197	246
Farm income	781	814
Other sundry income	495	282
	<u>1,951</u>	<u>1,889</u>

**THE JAMES HUTTON INSTITUTE**  
**(Limited by Guarantee, Not Having A Share Capital)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**4 Employee Information**

The average number of persons employed by the group during the year is analysed below:

	2019 Number	2018 Number
Scientific	417	408
Other	161	165
	<u>578</u>	<u>573</u>
	£000	£000
Employee costs		
Wages and salaries	18,974	19,022
Social security costs	1,634	1,678
Other pension costs	2,742	2,719
Other benefits	118	155
<b>Total direct costs of employment</b>	<u><u>23,468</u></u>	<u><u>23,574</u></u>

Other benefits represents redundancy payments paid to 13 employees (2018: 12). The group policy for redundancy entitlement is:

Eligibility	Basis of payment	Salary basis	Maximum
Less than 2 years of service	None	n/a	n/a
2 to 4 years of service	Statutory	Statutory	Statutory
Greater than 4 years	2 weeks salary per completed year of service	Actual pensionable salary	9 months up to scheme pension age, then reduced to 6 months

In accordance with the corporate governance arrangements for the Group, members of the Board received remuneration for their services as follows:

	2019 £	2018 £
James Curran	30,000	30,000
Joan MacNaughton	12,000	12,250
Stephen Hall	12,000	12,000
Deborah Keith	12,000	12,000
	<u>66,000</u>	<u>66,250</u>
The following JHL directors received remuneration of:		
Anne Maccoll Turpin	6,000	2,000
Robin Walker	6,000	1,000
Jennifer Crow	-	4,000
Graham Neale	-	5,000
	<u>12,000</u>	<u>12,000</u>
	<u><u>78,000</u></u>	<u><u>78,250</u></u>

Travel and subsistence expenses of £30,696 (2018: £26,907) were reimbursed to 12 members of the Board (2018: 12 members).

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**4 Employee information (cont.)**

The remuneration of the highest paid employee during the year was £161,525 (2018: £154,500).

Key management personnel received remuneration (including pension contributions and social security costs) for their services as follows:

2019	2018
£	£
<b>858,360</b>	<b>872,174</b>

The number of key management personnel during the year was 5 full-time and 2 part-time (2018: 6 full-time and 2 part-time).

The number of employees, including the Chief Executive, who received remuneration during the year (excluding pension contributions, voluntary exit and severance costs) in the following ranges was:

	2019	2018
	Number	Number
£60,000 - £69,999	20	18
£70,000 - £79,999	5	6
£80,000 - £89,999	-	-
£90,000 - £99,999	2	2
£100,000 - £109,999	1	1
£110,000 - £119,999	-	-
£120,000 - £129,999	-	-
£130,000 - £139,999	-	-
£140,000 - £149,999	-	-
£150,000 - £159,999	-	1
£160,000 - £169,999	1	-
	<b>29</b>	<b>28</b>

Total pension contributions payable in relation to the above staff in the year amounted to £284,780 (2018 - £272,643).

**5 Investment Income**

	Group		Institute	
	2019	2018	2019	2018
	£000	£000	£000	£000
Dividends from listed investments	8	8	8	8
Bank interest	52	39	42	33
	<b>60</b>	<b>47</b>	<b>50</b>	<b>41</b>
<b>Attributable to funds as follows:</b>				
Endowment funds	8	8	8	8
Unrestricted funds	52	39	42	33
	<b>60</b>	<b>47</b>	<b>50</b>	<b>41</b>

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<b>6 Expenditure</b>	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Expenditure on charitable activities</b>		
Scientific staff costs	16,131	16,516
Support staff costs	5,026	4,992
	<u>21,157</u>	<u>21,508</u>
Scientific consumables	5,609	5,998
PhD fees, stipends and other costs	265	249
Depreciation	2,214	2,282
Impairment	241	-
Support costs	5,404	4,093
Governance costs	94	177
Loss on disposal on tangible fixed assets	-	61
	<u>34,984</u>	<u>34,368</u>
<b>Attributable to funds as follows:</b>		
Restricted funds	33,727	32,018
Unrestricted funds	1,257	2,347
Endowment funds	-	3
	<u>34,984</u>	<u>34,368</u>
<b>Support costs</b>		
Rent and utilities	1,456	1,336
Communications and telephones	84	77
Technical services	550	513
ITS costs	855	493
Library and data manager	452	369
Property maintenance and service and cleaning	861	631
Other	1,738	1,370
	<u>5,996</u>	<u>4,789</u>
Recharged and included in expenditure of trading subsidiaries	(592)	(696)
	<u>5,404</u>	<u>4,093</u>
<b>Governance costs</b>		
	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Auditor's remuneration (Institute)		
- audit	40	29
- taxation services	5	4
- other services	-	9
Other governance costs	49	135
	<u>94</u>	<u>177</u>
Auditor's remuneration included in expenditure of trading subsidiaries		
- audit	14	9
- taxation services	-	-
	<u>14</u>	<u>9</u>
	<u>108</u>	<u>186</u>

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**7 Income and expenditure of trading subsidiaries**

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Other trading activities	<b>4,123</b>	<b>3,835</b>
Raising funds	<b>(3,264)</b>	<b>(3,232)</b>
Net income before interest	<b>859</b>	<b>603</b>

All income and expenditure in relation to trading subsidiaries is attributable to unrestricted funds.

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**8 Tangible Fixed Assets**

Group	Freehold Land and Buildings	Leasehold Improvements	Plant, Machinery and equipment	Motor Vehicles	Total
	£000	£000	£000	£000	£000
<b>Cost</b>					
At beginning of year	17,181	20,136	33,320	1,294	71,931
Additions	-	-	1,390	49	1,439
Disposals	-	-	(1,374)	(96)	(1,470)
At end of year	17,181	20,136	33,336	1,247	71,900
<b>Depreciation</b>					
At beginning of year	7,334	12,736	29,494	1,033	50,597
Charge for year	250	814	1,140	40	2,244
Impairment charge	-	167	74	-	241
Disposals	-	-	(1,373)	(92)	(1,465)
At end of year	7,584	13,717	29,335	981	51,617
<b>Net book value</b>					
At 31 March 2019	9,597	6,419	4,001	266	20,283
At 31 March 2018	9,847	7,400	3,826	261	21,334
<b>Institute</b>					
	Freehold Land and Buildings	Leasehold Improvements	Plant, Machinery and equipment	Motor Vehicles	Total
	£000	£000	£000	£000	£000
<b>Cost</b>					
At beginning of year	17,181	20,136	32,634	1,294	71,245
Additions	-	-	846	49	895
Disposals	-	-	(1,374)	(96)	(1,470)
At end of year	17,181	20,136	32,106	1,247	70,670
<b>Depreciation</b>					
At beginning of year	7,334	12,736	28,872	1,033	49,975
Charge for year	250	814	1,110	40	2,214
Impairment charge	-	167	74	-	241
Disposals	-	-	(1,373)	(92)	(1,465)
At end of year	7,584	13,717	28,683	981	50,965
<b>Net book value</b>					
At 31 March 2019	9,597	6,419	3,423	266	19,705
At 31 March 2018	9,847	7,400	3,762	261	21,270

**Group and Institute**

Included within freehold land and buildings is land of £4,616,166 (2018 - £4,616,166) which has not been depreciated.

The impairment charges relate to the planned cessation of activities at Hartwood Farm at the end of October 2019.



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**8 Tangible Fixed Assets (continued)**

The net book value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts:

	2019	2018
	£000	£000
Motor vehicles	152	88
Plant, machinery and equipment	370	167
	<u>522</u>	<u>255</u>
Depreciation charged in year in respect of leased assets	<u>60</u>	<u>12</u>

**9 Fixed Asset Investments**

	Group		Institute	
	2019	2018	2019	2018
	£000	£000	£000	£000
<b>Listed Investments</b>				
At beginning of year	222	206	222	206
Unrealised (loss)/gain on revaluation	(8)	16	(8)	16
At end of year	<u>214</u>	<u>222</u>	<u>214</u>	<u>222</u>
Historical cost at 31 March 2019	<u>65</u>	<u>65</u>	<u>65</u>	<u>65</u>

	Group		Institute	
	2019	2018	2019	2018
	£000	£000	£000	£000
Unrealised (loss)/gain on fixed asset investments	<u>(8)</u>	<u>16</u>	<u>(8)</u>	<u>16</u>
Attributable to funds as follows:				
Endowment funds	(8)	16		
Restricted funds	-	-		
	<u>(8)</u>	<u>16</u>		

**10 Stocks**

	Group		Institute	
	2019	2018	2019	2018
	£000	£000	£000	£000
Farm Stock	338	369	338	369
Other	12	17	12	17
	<u>350</u>	<u>386</u>	<u>350</u>	<u>386</u>

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**11 Debtors**

	Group		Institute	
	2019 £000	2018 £000	2019 £000	2018 £000
Trade debtors	523	683	-	-
Amounts due from group undertakings	-	-	355	136
Other debtors	2,802	4,067	2,802	4,067
Prepayments and accrued income	1,373	932	840	821
Amounts recoverable on research grants and contracts	693	1,317	596	1,158
	<u>5,391</u>	<u>6,999</u>	<u>4,593</u>	<u>6,182</u>

Amounts falling due after more than one year and included in the debtors above are:

	2019 £000	2018 £000	2019 £000	2018 £000
Other debtors	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>

**12 Current asset investments**

	Group		Institute	
	2019 £000	2018 £000	2019 £000	2018 £000
Bank deposit accounts	<u>4,096</u>	<u>5,083</u>	<u>3,084</u>	<u>4,080</u>

**13 Creditors: amounts falling due within one year**

	Group		Institute	
	2019 £000	2018 £000	2019 £000	2018 £000
Trade creditors	685	1,756	676	1,652
Taxation and social security costs	604	522	508	443
Other creditors	498	482	484	469
Accruals and deferred income	2,604	1,785	2,519	1,680
Hire purchase creditors	145	62	145	62
Research grants and contract income received in advance	4,774	5,658	4,662	5,441
	<u>9,310</u>	<u>10,265</u>	<u>8,994</u>	<u>9,747</u>

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**14 Creditors: amounts falling due after one year**

	Group		Institute	
	2019 £000	2018 £000	2019 £000	2018 £000
Accruals due:-				
within 1 - 2 years	-	15	-	15
within 2 - 5 years	-	-	-	-
after more than 5 years	-	-	-	-
Hire purchase and finance lease creditors:-				
within 1 - 2 years	135	62	135	62
within 2 - 5 years	81	58	81	58
after more than 5 years	-	-	-	-
	<u>216</u>	<u>135</u>	<u>216</u>	<u>135</u>

Finance lease payments represent rentals payable by the group for certain motor vehicles. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

**15 Financial instruments**

The carrying value of financial assets and financial liabilities was as follows:

	Group		Institute	
	2019 £000	2018 £000	2019 £000	2018 £000
Financial assets measured at fair value through net income / expenditure	<u>214</u>	<u>222</u>	<u>214</u>	<u>222</u>
Financial assets that are debt instruments measured at amortised cost	<u>12,743</u>	<u>14,017</u>	<u>10,794</u>	<u>11,594</u>
Financial liabilities measured at amortised cost	<u>2,598</u>	<u>3,083</u>	<u>2,504</u>	<u>2,884</u>

**16 Endowment funds**

	Lewis Endowment Fund	
	2019 £000	2018 £000
Income	8	8
Expenditure	-	(3)
	<u>8</u>	<u>5</u>
Unrealised (loss) / gain on revaluation of investments	(8)	16
At beginning of year	361	340
<b>At end of year</b>	<u><b>361</b></u>	<u><b>361</b></u>

Purpose of funds:

Lewis Endowment Fund – "To provide prizes or other awards for the encouragement and extension of agriculture and of good agricultural methods on the Island of Lewis, or for agricultural education on the said Island or for work of any kind intended to improve agriculture conditions on the said Island".

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**17 Restricted funds**

(a) Restricted capital reserves	<b>Group and Institute</b>	
	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
At beginning of year	<b>19,805</b>	21,015
RESAS grants for capital expenditure	<b>299</b>	599
MDT grants for capital expenditure	<b>13</b>	28
Other grant funding and external contracts	<b>1,026</b>	299
Depreciation	<b>(2,161)</b>	(2,075)
Impairment charge	<b>(241)</b>	-
Disposal of fixed assets	<b>(3)</b>	(61)
<b>At end of year</b>	<b><u>18,738</u></b>	<b><u>19,805</u></b>

(b) Other restricted reserves	<b>Group and Institute</b>	
	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
At beginning of year	-	-
Income	<b>29,958</b>	30,421
Expenditure	<b>(31,322)</b>	(29,882)
Extraordinary items	-	-
Transfer from unrestricted reserves (Note 18)	<b>1,364</b>	(539)
<b>At end of year</b>	<b><u>-</u></b>	<b><u>-</u></b>

**18 Unrestricted funds**

	<b>Institute</b>	<b>JHL</b>	<b>Group</b>	<b>Group</b>
	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Beginning of year	4,138	2,029	<b>6,167</b>	5,669
Net (expenditure) / income	65	869	<b>934</b>	(41)
Gift aid distribution to parent company	548	(548)	-	-
Reallocation	-	-	-	-
Transfer to other restricted reserves	(1,364)	-	<b>(1,364)</b>	539
<b>At end of year</b>	<b><u>3,387</u></b>	<b><u>2,350</u></b>	<b><u>5,737</u></b>	<b><u>6,167</u></b>

In line with clarification issued by the Financial Reporting Council (FRC) and related amendments to FRS 102, the group accounts for gift aid distributions by JHL to the Institute as JHL reserve movements and Institute income in the period they are formally approved.

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**19 Net assets by fund**

**Group**

	<b>Unrestricted Funds £000</b>	<b>Restricted Funds £000</b>	<b>Endowment Funds £000</b>	<b>Total Funds £000</b>
<b>At 31 March 2019</b>				
Fixed assets	2,295	17,988	214	20,497
Current assets	12,968	750	147	13,865
Total creditors	(9,526)	-	-	(9,526)
<b>Net assets</b>	<b>5,737</b>	<b>18,738</b>	<b>361</b>	<b>24,836</b>

	<b>Unrestricted Funds £000</b>	<b>Restricted Funds £000</b>	<b>Endowment Funds £000</b>	<b>Total Funds £000</b>
<b>At 31 March 2018</b>				
Fixed assets	1,529	19,805	222	21,556
Current assets	15,038	-	139	15,177
Total creditors	(10,400)	-	-	(10,400)
<b>Net assets</b>	<b>6,167</b>	<b>19,805</b>	<b>361</b>	<b>26,333</b>

**Institute**

	<b>Unrestricted Funds £000</b>	<b>Restricted Funds £000</b>	<b>Endowment Funds £000</b>	<b>Total Funds £000</b>
<b>At 31 March 2019</b>				
Fixed assets	1,717	17,988	214	19,919
Current assets	10,880	750	147	11,777
Total creditors	(9,210)	-	-	(9,210)
<b>Net assets</b>	<b>3,387</b>	<b>18,738</b>	<b>361</b>	<b>22,486</b>

	<b>Unrestricted Funds £000</b>	<b>Restricted Funds £000</b>	<b>Endowment Funds £000</b>	<b>Total Funds £000</b>
<b>At 31 March 2018</b>				
Fixed assets	1,465	19,805	222	21,492
Current assets	12,555	-	139	12,694
Total creditors	(9,882)	-	-	(9,882)
<b>Net assets</b>	<b>4,138</b>	<b>19,805</b>	<b>361</b>	<b>24,304</b>

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**20 Reconciliation of net income/(expenditure) to net cash flow from operating activities**

	<b>2019</b>	2018
	<b>£000</b>	£000
<b>Group</b>		
Net income/(expenditure)	<b>(1,497)</b>	(691)
Depreciation	<b>2,244</b>	2,304
Impairment charge	<b>241</b>	-
Capital grants credited to income and expenditure account	<b>(312)</b>	(926)
Dividends and interest received	<b>(60)</b>	(47)
Net gain on fixed assets	<b>6</b>	45
Decrease in stock	<b>36</b>	21
Decrease/(increase) in debtors	<b>1,608</b>	(2,865)
(Decrease)/increase in creditors	<b>(1,053)</b>	1,395
<b>Net cash provided by/(used in) operating activities</b>	<b><u>1,213</u></b>	<u>(764)</u>

**21 Components of cash and cash equivalents**

	<b>2019</b>	2018
	<b>£000</b>	£000
Cash at bank and in hand	4,028	2,709
Investments - bank deposit accounts	4,096	5,083
	<b><u>8,124</u></b>	<u>7,792</u>

**22 Capital commitments**

At the year end, the Group and Institute were committed to purchasing tangible fixed assets of £312k and £217k respectively (2018 - £17k and £17k).

**23 Pension Scheme**

Staff joining the Institute after 1 September 2014 and staff of James Hutton Limited were eligible to join a group personal pension scheme. 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 £2,659k (2018 - £2,703k), excluding life cover. Outstanding contributions at 31 March 2019 were £383k (2018 - £363k).

All Institute staff who were employed by The James Hutton Institute prior to September 2014 were eligible to join one of 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 Environment 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 site at [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk). The RCPS schemes are by analogy to the Principal Civil Service Pension Schemes (PCSPS), which are unfunded, with the benefits secured against future tax yields.

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**23 Pension Scheme (continued)**

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. The Institute therefore accounts for these schemes as if they were defined contribution schemes.

The Institute's participation in the schemes ceased on 31 March 2017. From 1 April 2017, all staff are eligible to join the group personal pension scheme.

**24 Operating lease obligations**

At 31 March 2019 the Institute had total future minimum lease payments under non-cancellable operating leases as follows:

	<b>2019</b>	2018
	<b>£000</b>	£000
<b>Group and Institute</b>		
Within 1 year	<b>219</b>	192
Between 2 and 5 years	<b>449</b>	463
After more than 5 years	<b>2,489</b>	2,580
	<u><b>3,157</b></u>	<u>3,235</u>

**25 Reconciliation of movement in reserves**

	<b>Group</b>		<b>Institute</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>£000</b>	£000	<b>£000</b>	£000
Opening reserves	<b>26,333</b>	27,024	<b>24,304</b>	25,461
Deficit for the financial year	(1,497)	(691)	(1,818)	(1,157)
Closing reserves	<u><b>24,836</b></u>	<u>26,333</u>	<u><b>22,486</b></u>	<u>24,304</u>

**26 Related party transactions**

The Institute has taken advantage of the exemption from the requirement to disclose transactions with other group companies which are 100% owned by the James Hutton Institute in accordance with Financial Reporting Standard 102 s.33.1A.

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**27 Commercial trading operations and the investment in trading subsidiaries**

The Institute holds 100% of the issued ordinary share capital (2 ordinary shares of £1 each) of James Hutton Limited (JHL), a company incorporated in the United Kingdom and registered in Scotland (SC121376). The principal activities of JHL are technology transfer, the commercial exploitation of the scientific expertise and products of the James Hutton Institute and the provision of a range of consultancy and commercial services.

JHL distributes a substantial part of available profits as gift aid to the Institute. Subsequent to the year end, a distribution of £281,000 has been approved in respect of the year ended 31 March 2019 and this will be paid prior to 31 December 2019.

	<b>2019</b>	2018
	<b>£000</b>	£000
<b>Profit and loss</b>		
Turnover	<b>4,123</b>	3,835
Cost of sales	<b>(2,656)</b>	(2,403)
Gross profit	<b>1,467</b>	1,432
Administrative expenses	<b>(671)</b>	(884)
Other operating income	<b>63</b>	55
Operating profit	<b>859</b>	603
Interest receivable	<b>10</b>	6
Taxation	<b>-</b>	-
Profit for financial year	<b>869</b>	609
Gift Aid distribution to: parent company	<b>(548)</b>	(111)
Increase to reserves	<b>321</b>	498
<b>The assets and liabilities of the subsidiary</b>		
Fixed assets	<b>578</b>	64
Current assets	<b>2,443</b>	2,618
Creditors: amounts falling due with one year	<b>(671)</b>	(653)
Provisions for liabilities	<b>-</b>	-
Total net assets	<b>2,350</b>	2,029
Aggregate share capital and reserves	<b>2,350</b>	2,029



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**28 Income**

	<b>Group</b>		<b>Institute</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>
Geographical segment:				
United Kingdom	<b>32,619</b>	28,264	<b>31,145</b>	27,217
Rest of Europe	<b>3,395</b>	7,888	<b>2,603</b>	6,961
Rest of World	<b>685</b>	694	<b>212</b>	222
	<b>36,699</b>	36,846	<b>33,960</b>	34,400
Gift aid	-	-	<b>548</b>	111
Gains on fixed asset investments	-	16	-	16
Interest and investment income	<b>60</b>	47	<b>50</b>	41
	<b>36,759</b>	36,909	<b>34,558</b>	34,568

**29 Analysis of Other Expenditure**

	<b>Group</b>		<b>Institute</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>
Support costs	<b>5,858</b>	5,010	<b>5,882</b>	4,791
Loss on disposal of tangible fixed assets	-	61	-	61
Loss on fixed asset investments	<b>8</b>	-	<b>8</b>	-
Reorganisation costs	<b>118</b>	-	<b>115</b>	-
Fees and stipends	<b>265</b>	249	<b>265</b>	249
Governance costs	<b>108</b>	186	<b>94</b>	177
	<b>6,357</b>	5,506	<b>6,364</b>	5,278

