

Registered Number: SC374831
Scottish Charity Number: SC041796

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

**DIRECTORS' REPORT
AND GROUP FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2013

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

BOARD OF DIRECTORS' REPORT AND GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

Contents

	Page
Board of Directors	1
Legal and administrative information	2
Report of the Board of Directors	3-10
Independent auditors' report	11-12
Consolidated statement of financial activities	13
Income and expenditure accounts	14
Statement of total recognised gains and losses	15
Balance sheets	16
Consolidated cash flow statement	17
Notes to the financial statements	18-36

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

BOARD OF DIRECTORS

Chairman: Mr Ray Perman

Professor David Boxer
Mrs Julia Brown
Professor Brian Clark
Dr Laura Meagher
Mr Alexander Morrison
Professor Wayne Powell
Professor George Salmond
Mr Allan Stevenson
Mr George Thorley
Professor Alan Werritty

Chief Executive:

Professor Iain Gordon

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

LEGAL AND ADMINISTRATIVE INFORMATION

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

Auditors:

Johnston Carmichael LLP
Bishop's Court
29 Albyn Place
Aberdeen
AB10 1YL

Solicitors:

Dundas & Wilson 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)

REPORT OF THE BOARD OF DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 March 2013.

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).

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 purpose built offices and laboratories in Aberdeen and Dundee. The Institute operates three Research Stations, at Glensaugh in Aberdeenshire, Balruddery in Perthshire and Hartwood in North Lanarkshire. The majority 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, the Institute operates from land owned by and rented from the Scottish Ministers.

Review of the year

The James Hutton Institute has had many significant scientific successes over the past year reflecting not only the excellence of our science but also how it is being applied to address global challenges for the use of land and natural resources. We continue to publish our research in high ranking international peer-reviewed journals and play a leading role in scientific breakthroughs on both a national and international scale. Highlights include the publication of the barley genome in the journal Nature and the recent report on the value of Scotland's water resources directly influenced policy.

In 2012/13 panels of external international experts reviewed two of our Science Groups, with very positive results. In 2013/14 we will complete the reviews of the remaining three Science Groups and our affiliated organisation, Biomathematics and Statistics Scotland (BioSS).

In these challenging financial circumstances we are seeking new ways to exploit the world class skills and facilities at the Institute. In 2012/13 we became client-managed by Scottish Enterprise who are supporting the development of an Income Generation Strategy for the James Hutton Group.

It is essential that the Institute continues to invest for the future. The purchase of Berryhill Land strengthens our ability to translate our science into agricultural practice and is already paying dividends in the form of new contracts. We are aware that many of our facilities and buildings do need to be upgraded and we are grateful to the Scottish Government for funding a feasibility study into the development of our Dundee site.

THE JAMES HUTTON INSTITUTE

(Limited By Guarantee, Not Having A Share Capital)

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

Financial Statements

The Board of Directors ('the Board'; 'Board Members') present the report and financial statements for the year ended 31 March 2013, the second year of the merged entity. The statements comprise Group accounts for the James Hutton Institute and its two commercial subsidiaries, Mylnefield Research Services Ltd and Macaulay Scientific Consulting Ltd.

The capital and reserves as reported in the financial statements at 31 March 2013 totalled £36.8m and comprised of:

- Endowment funds - £0.2m
- Restricted funds - £28.1m
- Unrestricted funds - £8.5m

The financial statements have been prepared using merger accounting.

The key features of the financial statements are:

- The group made an operating surplus of £1.32m (2012: £0.45m) which comprised of operating surpluses from the Institute of £0.68m (2012: £0.04m), Mylnefield Research Services Ltd of £0.48m (2012: £0.41m) and Macaulay Scientific Consultancy Ltd of £0.16m (2012: £4k). However this operating surplus is not sufficient to provide for the capital replacement needs of the Institute and reduced capital grant funding results in a Group deficit of £0.5m (2012: £0.26m surplus).
- Incoming resources were £38.7m (2012: £38.8m). Of this £27.1m was received from RESAS (2012: £28.6m). £9.6m came from external contracts with a range of funders, with approximately one half of this contributed by the commercial subsidiaries and is an increase of £0.7m (2012: £8.9m). The balance of £1.9m (2012: £1.3m) includes research station income, tuition fees and bank interest.
- Mylnefield Research Services Ltd had a turnover of £3.1m (2012: £3.1m) and surplus of £0.48m (2012: £0.4m), out of which it made Gift Aid donations to its parent company of £0.3m (2012: £0.3m) and to the Mylnefield Trust of £40k (2012: £nil).
- Macaulay Scientific Consultancy Ltd had a turnover of £2.0m (2012: £1.6m) and a surplus of £0.16m (2012: £4k) out of which it made a Gift Aid donation to its parent company of £0.16m (2012: £4k).
- During the year the Institute transferred £1.6m of its RESAS funding to the capital reserve to fund the purchase of major items of plant and equipment.
- In addition, RESAS provided a grant of £0.67m to fund infrastructure improvements, a reduction in funding of £1m (2012: £1.7m).
- The Institute purchased land at Berryhill (£1.012m) to increase the crop rotation and land management facility. This was an important investment for the future growth of the group and was funded from the Institute's unrestricted reserves. This investment improves our Fixed Asset position and reduces the impact of the reduction in capital grant funding.

Future Look

The commencement of operations of the new institute coincided with the start of the new Scottish Government research programme for 2011-2016. This provides certainty of funding for the first five years of the new entity, although reductions in funding levels from 2012-13 will require a focus both on generation of income from other sources, and on efficiency and cost control. The Institute has its Corporate Strategy for 2013-17 which includes an Income Generation Strategy to support progress of external funding opportunities to reduce our reliance on Scottish Government funding. The Board is satisfied with the Institute's budget for 2013-14 and that a strategy is being pursued in order to ensure sustainability going forward.

THE JAMES HUTTON INSTITUTE

(Limited By Guarantee, Not Having A Share Capital)

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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 and stakeholder groups.

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 will also be given an opportunity to meet key members of staff and other Board members during the induction process.

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 and are directors of the company within the meaning of the Companies Act and trustees for the purposes of charitable law. The Chief Executive, whose responsibilities are set out below, is not a director of the company.

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 Report of the Board of Directors and for ensuring that financial statements are prepared 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 which 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 net income or expenditure of the Institute for the year. 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;
- 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 keeping adequate accounting records which 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 (as amended). They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Institute and to prevent and detect fraud and other irregularities.

THE JAMES HUTTON INSTITUTE

(Limited By Guarantee, Not Having A Share Capital)

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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, although the Institute has contracts awarded through normal tendering procedures with the Agriculture and Horticulture Development Board, of which Mr A. Stevenson was a director until 31 March 2013.

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

Responsibilities of the Chief Executive

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

1. the financial management procedures and systems of the Institute are operated correctly and with propriety;
2. these 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.

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.

Reserves policy

It has been the policy of the Institute to retain all surpluses generated from its activities to provide resources to fund long term maintenance of and investment in its assets.

The Group's net current assets increased by £0.2m, compared with 2012. This is slightly below the Board's target of having sufficient to fund at least four months' payroll costs with no reliance on bank financing.

Financial instruments and credit risk

The credit risk is primarily attributable to its trade 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.

Investment Policy

The policy of the Institute is that monies not immediately required should be held in a charity high interest account with interest credited to the profit and loss account.

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) regardless of marital status, religion, colour, race, ethnic origin or disability. The Institute gives full and fair consideration to applications for employment by disabled persons at all stages in the recruitment procedures. Where an existing employee becomes disabled (whether from illness or accident) every effort is made to continue to provide suitable employment, either in the same or an alternative job. Disabled persons share in the opportunities for training, development and promotion that are available to all employees within the Institute.

THE JAMES HUTTON INSTITUTE

(Limited By Guarantee, Not Having A Share Capital)

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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 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 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.
James Hutton Institute Newsletter	Published fortnightly.
Staff Bulletin	Circulated by email weekly.
BBSRC Staff Code	Copies available for reference on the Internet and in the various locations within the Institute.
BBSRC Vacancy Notices	Staff vacancies within the BBSRC and SABRI Institutes are placed on Notice Boards and the Institute intranet for information.
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 is developing 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. The Biotechnology and Biological Sciences Research Council Joint Negotiating and Consultative Committee provides a channel for consultation on a wide range of matters, in addition to the Institute's own Institute 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 by RESAS 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 continues to hold the ISO 9001:2008 Quality Assurance standard. Both the UKAS 17025 and ISO 9001 accreditations are externally reviewed annually. The Institute continues to work towards achieving the ISO 14001. The Institute currently holds Investors in People accreditation.

THE JAMES HUTTON INSTITUTE

(Limited By Guarantee, Not Having A Share Capital)

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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.

Access to Information and Data

The Institute policy, with regard 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.

Nominations and Remuneration Committee

The Institute operates within the provisions of the Biotechnology and Biological Sciences Research Council (BBSRC) Staff Code under which all Institute staff are employed. The Committee considers issues concerning the remuneration of the CEO and Directors, bonuses for Bands 1 and 2 and Band G employees, the performance of Board Members and the annual Board expenses and fees.

The Institute's commercial subsidiary company, Mylnefield Research Services Limited, has a Remuneration Committee comprising the non-executive directors of the company and is chaired by the Chairman of the Board of Directors of that company. It meets as required and operates within terms of reference agreed by its Board.

Audit and Finance Committee

The Audit and Finance Committee comprises at least three members of the Institute's Board and meets at least twice per annum. The Committee 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 quarterly basis and advising on financial matters such as treasury management and capital investment. It oversees the production of the Group financial statements, including review of significant reporting issues and judgements, and recommends approval to the Board.

The Committee is required to keep under review the effectiveness of the Institute's corporate governance arrangements and the internal control systems. The Committee reports on these in a formal written report to the Board prior to the signing of the financial statements. It is responsible for ensuring that the Institute's risk policy is implemented, reviewing the appropriateness of the risk register, and considering arrangements for Health and Safety, Quality Assurance and Environmental audits. It also reviews arrangements for the effective operation of a 'whistleblowing' policy.

THE JAMES HUTTON INSTITUTE

(Limited By Guarantee, Not Having A Share Capital)

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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 by RESAS.

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.

The system of internal control is based on 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 2013 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 bi-monthly 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 the subsidiaries to the standards specified under the quality standard ISO9001:2008;
- procedures and policies to ensure the application of good scientific practice, as required by the Research Councils;
- establishment of key performance and risk indicators and reports thereon;
- 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 JAMES HUTTON INSTITUTE
(Limited By Guarantee, Not Having A Share Capital)

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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 quarterly 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.

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 auditors are 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 auditors are aware of the information.

On behalf of the Board of Directors



Mr Ray Perman
Chairman

24 - 8
..... 2013

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

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

We have audited the financial statements of The James Hutton Institute on pages 13 to 36 for the year ended 31 March 2013. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Institute'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 section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the Institute's members those matters we are required to state 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 Institute and the Institute's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Board Members and auditor

As explained more fully in the Board Members' Responsibilities statement set out on page 5, the Board Members (who are 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.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2013 and of the group's and parent charitable company's incoming resources and application of resources, including the group's and the parent charitable company's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Board of Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

Matters on which we are required to report by exception

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

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



Graeme Fraser (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

Chartered Accountants
Statutory Auditor

5 September 2013

29 Albyn Place
Aberdeen
AB10 1YL

Date :

Johnston Carmichael 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 2013

	Note	Unrestricted Funds	Restricted Funds	Endowment Funds	Total Funds 2013	Total Funds 2012
Incoming resources:		£000	£000	£000	£000	£000
Incoming resources from generated funds						
Trading income from subsidiaries		5,080	-	-	5,080	4,313
Investment income	5	51	-	7	58	43
Incoming resources from charitable activities	3	1,477	32,112	-	33,589	34,458
Total incoming resources		6,608	32,112	7	38,727	38,814
Resources expended:						
Cost of generating funds						
Expenditure of trading subsidiaries		4,484	-	-	4,484	3,912
Goodwill amortisation	8	96	-	-	96	10
Charitable Activities						
Activities in furtherance of charitable objectives	6	1,780	32,765	4	34,549	34,503
Governance costs	6	9	117	-	126	153
Taxation - trading subsidiaries		-	-	-	-	(3)
Total resources expended		6,369	32,882	4	39,255	38,575
Net incoming/(outgoing) resources before transfers		239	(770)	3	(528)	239
Transfers between funds		935	(935)	-	-	-
Net incoming/(outgoing) resources before other recognised gains and losses		1,174	(1,705)	3	(528)	239
Other recognised gains and losses:						
Realised gains on sales of fixed assets		12	-	-	12	14
Unrealised surplus on investment revaluations	9	-	-	20	20	5
Net movement in funds		1,186	(1,705)	23	(496)	258
Balances at 1 April 2012	25	7,293	29,770	229	37,292	37,034
Balance at 31 March 2013		8,479	28,065	252	36,796	37,292

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 15.

Details of the net movements in restricted and unrestricted funds are given in notes 16 and 17.

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 14 to 16.

THE JAMES HUTTON INSTITUTE
(Limited by Guarantee, Not Having A Share Capital)
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2013

		Group		Institute	
	Note	2013	2012	2013	2012
		£000	£000	£000	£000
Income:					
Grants from RESAS	2	27,135	28,576	27,135	28,576
Research grants and contracts		4,924	4,299	4,924	4,299
Other grants		3	11	3	11
Intercompany charges		-	-	2,847	2,789
Pre-acquisition charges to MSC		-	229	-	229
Gift aid receivable		-	-	461	304
Other income	3	1,527	1,343	1,527	1,343
Trading income from subsidiaries		5,080	4,313	-	-
		38,669	38,771	36,897	37,551
Expenditure:					
Staff costs		23,717	24,413	22,854	23,618
Scientific consumables		5,654	4,847	5,166	4,663
Depreciation	7	3,296	3,345	3,257	3,290
Goodwill amortisation	8	96	10	-	-
Other costs	28	6,452	5,963	6,245	5,874
Gift aid payable		40	-	-	-
		39,255	38,578	37,522	37,445
Operating (deficit)/surplus		(586)	193	(625)	106
Gain on sales of assets and investments		12	14	12	14
Investment income	5	58	43	51	36
(Deficit)/surplus before taxation		(516)	250	(562)	156
Taxation	14	-	3	-	-
(Deficit)/surplus for the financial year		(516)	253	(562)	156

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

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

THE JAMES HUTTON INSTITUTE
(Limited by Guarantee, Not Having A Share Capital)
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2013

		Group		Institute	
	Note	2013	2012	2013	2012
		£000	£000	£000	£000
(Deficit)/surplus for the financial year		(516)	253	(562)	156
Unrealised surplus on revaluation of investments during year	9	20	5	20	5
Total recognised gains and losses relating to the year		(496)	258	(542)	161

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

BALANCE SHEETS
FOR THE YEAR ENDED 31 MARCH 2013

		Group		Institute	
	Note	2013 £000	2012 £000	2013 £000	2012 £000
Fixed Assets:					
Tangible assets	7	29,164	29,856	29,077	29,770
Intangible assets	8	-	96	-	-
Investments	9	141	121	241	221
		<u>29,305</u>	<u>30,073</u>	<u>29,318</u>	<u>29,991</u>
Current Assets:					
Stocks	10	523	500	519	495
Debtors	11	6,788	5,936	7,004	5,705
Cash at bank and in hand		8,234	9,742	6,381	8,255
		<u>15,545</u>	<u>16,178</u>	<u>13,904</u>	<u>14,455</u>
Creditors: amounts falling due within one year	12	<u>(7,807)</u>	<u>(8,607)</u>	<u>(7,121)</u>	<u>(7,698)</u>
Net Current Assets		<u>7,738</u>	<u>7,571</u>	<u>6,783</u>	<u>6,757</u>
Total assets less current liabilities		37,043	37,644	36,101	36,748
Creditors: amounts falling due after more than one year	13	(247)	(352)	(247)	(352)
Provision for liabilities and charges		-	-	-	-
Net Assets	18	<u>36,796</u>	<u>37,292</u>	<u>35,854</u>	<u>36,396</u>
Capital and reserves					
Endowment funds	15	252	229	252	229
Restricted funds	16	28,065	29,770	28,065	29,770
Unrestricted funds	17	8,479	7,293	7,537	6,397
	18	<u>36,796</u>	<u>37,292</u>	<u>35,854</u>	<u>36,396</u>

These financial statements were approved by the Board of Governors on 24 JULY 2013 and were signed on its behalf by:



Mr Ray Perman
Chairman



Mr Allan Stevenson
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 2013

	Note	2013 £000	2012 £000
Net cash (outflow)/inflow from operating activities	19	(526)	621
Returns on investments and servicing of finance			
Bank interest received		51	36
Dividends received		7	7
Net cash inflow from returns on investment and servicing of finance		58	43
Taxation		-	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(2,605)	(3,153)
Proceeds on disposal of tangible fixed assets		13	19
Capital grants received		1,552	3,101
Net cash outflow from capital expenditure and financial investment		(1,040)	(33)
Acquisitions and disposals			
Purchase of subsidiary undertaking	9	-	(100)
Cash acquired with subsidiary		-	46
Net cash outflow from acquisitions and disposals		-	(54)
Cash (outflow)/inflow before financing		(1,508)	577
Financing		-	-
(Decrease)/increase in cash in the year	20,21	(1,508)	577

THE JAMES HUTTON INSTITUTE
(Limited by Guarantee, Not Having A Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

1 Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of Preparation

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom, and under the historical cost accounting rules modified to include the revaluation of investments. The financial statements comply with the Companies Act 2006 and the Statement of Recommended Practice (SORP) – Accounting by Charities (2005). 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 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.

Basis of consolidation

The group financial statements consolidate the accounts of the Institute and its commercial subsidiaries, Mylnefield Research Services Limited (MRS) and Macaulay Scientific Consulting Limited (MSC).

Government Grants

Grants for current and capital expenditure are credited to income in the year in which they are received.

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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

1 Principal accounting policies (continued)

Intangible fixed assets

Acquired goodwill is capitalised and amortised over its estimated 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.

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 market value.

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

Stocks

Stocks are stated at the lower of cost and net realisable 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 Governors or 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.

THE JAMES HUTTON INSTITUTE
(Limited by Guarantee, Not Having A Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

1 Principal accounting policies (continued)

Taxation

The Institute has been granted charitable status by HMRC and is not therefore liable for corporation tax on 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 profit and loss account.

Research and development expenditure

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

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.

Post retirement benefits

Institute staff can join the Research Councils Pension Scheme (RCPS), details of which are given in note 23. Administration of the scheme is carried out by the Joint Superannuation Service (JSS) of the National Environment Research Council (NERC).

The RCPS defined benefits schemes, as with most public sector pension 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 company therefore accounts for these schemes as if they were defined contribution schemes.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

2 Grants received from RESAS

	2013	2012
	£000	£000
Group and Institute		
Opening deferred income	533	-
Grants for current expenditure	25,049	25,057
Grants for capital expenditure	1,553	3,101
Grants to fund voluntary exit schemes	-	951
	27,135	29,109
Income deferred - core grant funding	-	(500)
Income deferred - CREW	-	(33)
	27,135	28,576

3 Incoming resources from charitable activities

	2013	2012
	£000	£000
Group		
RESAS grants for revenue expenditure	25,582	24,524
RESAS grants for capital expenditure	1,553	3,101
RESAS grants for voluntary exit	-	951
Grants from MDT	3	11
Other grants and contract income of Institute	4,924	4,299
Pre-acquisition charges to MSC	-	229
Other income	1,527	1,343
Total incoming resources from charitable activities	33,589	34,458

Analysis of Other Income

	2013	2012
	£000	£000
Group and Institute		
Facilities income	200	200
Other rental income	16	9
Management fees	43	42
Student fees	17	29
Services	445	298
Farm income	699	606
Other sundry income	107	159
	1,527	1,343

THE JAMES HUTTON INSTITUTE
(Limited by Guarantee, Not Having A Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

4 Employee information

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

	2013	2012
	Number	Number
Scientific	437	430
Other	158	172
	<u>595</u>	<u>602</u>
	£000	£000
Employee costs		
Wages and salaries	17,977	18,890
Social security costs	1,416	1,382
Other pension costs	4,324	4,319
Total direct costs of employment	<u>23,717</u>	<u>24,591</u>

Members of the Board received remuneration for their services as follows:

	2013	2012
	£	£
Ray Perman	30,000	30,000
Allan Stevenson	12,000	12,000
George Thorley	12,000	12,000
Brian Clark	10,000	10,000
	<u>64,000</u>	<u>64,000</u>

The total cost to the Institute of remunerating the Board was £76,800 (2012 - £76,800) which includes irrecoverable VAT on invoiced services.

Travel and subsistence expenses of £7,000 (2012: £6,000) were re-imbursed to 9 members of the Board (2012: 9 members).

The remuneration of the highest paid employee during the year was £135,000 (2012: £135,000) excluding contributions towards superannuation.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

4 Employee information (cont.)

The number of employees, including the Chief Executive, who received remuneration during the year (excluding superannuation contributions) in the following ranges was:

	2013 Number	2012 Number
£60,000 - £69,999	17	6
£70,000 - £79,999	3	2
£80,000 - £89,999	-	1
£90,000 - £99,999	1	-
£100,000 - £109,999	-	-
£110,000 - £119,999	-	-
£120,000 - £129,999	-	-
£130,000 - £139,999	1	1
	<u>22</u>	<u>10</u>

All of the above employees are members of the Research Councils Pension Scheme (RCPS) (see note 23). The total contributions accrued to the schemes in relation to these staff in the year amount to £350,000 (2012: £198,000).

5 Investment Income

	Group		Institute	
	2013 £000	2012 £000	2013 £000	2012 £000
Dividends from listed investments	7	7	7	7
Bank interest	51	36	44	29
	<u>58</u>	<u>43</u>	<u>51</u>	<u>36</u>

THE JAMES HUTTON INSTITUTE
(Limited by Guarantee, Not Having A Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

6 Resources Expended

	Group	
	2013	2012
	£000	£000
Activities in furtherance of charitable objectives		
Scientific staff costs	16,315	16,334
Support staff costs	5,206	6,158
	21,521	22,492
Scientific consumables	4,764	4,153
Fees and stipends	553	269
Depreciation	3,257	3,290
Support costs	4,454	4,121
Transition costs	-	178
	34,549	34,503
Support costs		
Rent and utilities	1,508	1,442
Communications and telephones	230	188
Technical services	500	424
ITS costs	369	437
Library and data manager	329	518
Property maintenance and service and cleaning	525	433
Business development	78	182
Other	2,027	1,614
	5,566	5,238
Recharged and included in expenditure of trading subsidiaries	(1,112)	(1,117)
	4,454	4,121

Governance costs

	Group	
	2013	2012
	£000	£000
Auditors' remuneration (Institute)		
- audit	24	39
- taxation services	3	3
- other services	33	29
Other governance costs	66	82
	126	153
Auditors' remuneration included in expenditure of trading subsidiaries		
- audit	8	8
- taxation services	1	1
	135	162

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

7 Tangible Fixed Assets

Group	Land and buildings £000	Plant, machinery and equipment £000	Motor Vehicles £000	Total £000
Cost				
At beginning of year	35,147	29,845	1,227	66,219
Additions	1,738	861	6	2,605
Disposals	-	(16)	(14)	(30)
Transfers	-	(10)	10	-
At end of year	<u>36,885</u>	<u>30,680</u>	<u>1,229</u>	<u>68,794</u>
Depreciation				
At beginning of year	13,824	21,834	705	36,363
Charge for year	1,050	2,103	143	3,296
Disposals	-	(15)	(14)	(29)
Transfers	-	(2)	2	-
At end of year	<u>14,874</u>	<u>23,920</u>	<u>836</u>	<u>39,630</u>
Net book value				
At 31 March 2013	<u>22,011</u>	<u>6,760</u>	<u>393</u>	<u>29,164</u>
At 31 March 2012	<u>21,323</u>	<u>8,011</u>	<u>522</u>	<u>29,856</u>
Institute				
	Land and buildings £000	Plant, machinery and equipment £000	Motor Vehicles £000	Total £000
Cost				
At beginning of year	35,147	29,335	1,227	65,709
Additions	1,738	821	6	2,565
Disposals	-	(16)	(14)	(30)
Transfers	-	(10)	10	-
At end of year	<u>36,885</u>	<u>30,130</u>	<u>1,229</u>	<u>68,244</u>
Depreciation				
At beginning of year	13,824	21,410	705	35,939
Charge for year	1,050	2,064	143	3,257
Disposals	-	(15)	(14)	(29)
Transfers	-	(2)	2	-
At end of year	<u>14,874</u>	<u>23,457</u>	<u>836</u>	<u>39,167</u>
Net book value				
At 31 March 2013	<u>22,011</u>	<u>6,673</u>	<u>393</u>	<u>29,077</u>
At 31 March 2012	<u>21,323</u>	<u>7,925</u>	<u>522</u>	<u>29,770</u>

Group and Institute

Included within heritable land and buildings is land of £4,616,166 (2012 - £3,605,651) which has not been depreciated.

THE JAMES HUTTON INSTITUTE
(Limited by Guarantee, Not Having A Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

8 Intangible fixed assets

	Goodwill £000
Group	
Cost	
At 1 April 2012 and 31 March 2013	<u>106</u>
Amortisation	
At 1 April 2012	10
Charge for year	96
At 31 March 2013	<u>106</u>
Net book value	
At 31 March 2013	<u>-</u>
At 31 March 2012	<u>96</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

9 Investments	Group		Institute	
	2013	2012	2013	2012
	£000	£000	£000	£000
Investments listed on a recognised Stock Exchange	141	121	141	121
Investment in subsidiary undertakings	-	-	100	100
	141	121	241	221
Listed investments				
At beginning of year	121	116	121	116
Unrealised surplus on revaluation	20	5	20	5
At end of year	141	121	141	121
Historical cost at 31 March 2013	65	65	65	65

The listed investments were managed during the year by Adam & Company, Investment Management Limited.

10 Stocks	Group		Institute	
	2013	2012	2013	2012
	£000	£000	£000	£000
Farm Stock	498	461	498	461
Other	25	39	21	34
	523	500	519	495

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

11 Debtors

	Group		Institute	
	2013	2012	2013	2012
	£000	£000	£000	£000
Trade debtors	983	1,085	-	-
Amounts due from group undertakings	-	-	1,686	1,385
Other debtors	955	1,098	955	1,098
Prepayments and accrued income	3,064	1,734	2,895	1,570
Amounts recoverable on research grants and contracts	1,786	2,019	1,468	1,652
	6,788	5,936	7,004	5,705

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

	2013	2012	2013	2012
	£000	£000	£000	£000
Other debtors	247	352	247	352

12 Creditors: amounts falling due within one year

	Group		Institute	
	2013	2012	2013	2012
	£000	£000	£000	£000
Trade creditors	1,455	1,578	1,408	1,509
Taxation and social security costs	698	541	679	516
Other creditors	285	308	285	308
Payments due to collaborators	-	18	-	18
Accruals and deferred income	829	1,515	771	1,467
Research grants and contract income received in advance	4,540	4,647	3,978	3,880
	7,807	8,607	7,121	7,698

THE JAMES HUTTON INSTITUTE
(Limited by Guarantee, Not Having A Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

13 Creditors: amounts falling due after one year

	Group		Institute	
	2013	2012	2013	2012
	£000	£000	£000	£000
Accruals due:-				
within 1 - 2 years	81	105	81	105
within 2 - 5 years	152	218	152	218
after more than 5 years	14	29	14	29
	<u>247</u>	<u>352</u>	<u>247</u>	<u>352</u>

14 Provisions for liabilities

	2013	2012
	£000	£000
Deferred taxation in respect of: Accelerated capital allowances	<u>-</u>	<u>-</u>

15 Endowment funds

	Lewis Endowment Fund £000
Income	7
Expenditure	<u>(4)</u>
	3
Unrealised gain on revaluation of investments At beginning of year	20 229
At end of year	<u>252</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".

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

16 Restricted funds

(a) Restricted capital reserves	Group	Institute
	£000	£000
At beginning of year	29,770	29,770
RESAS grants for capital expenditure	1,552	1,552
Depreciation	(3,257)	(3,257)
At end of year	28,065	28,065
(b) Other restricted reserves	Group	Institute
	£000	£000
At beginning of year	-	-
Income	30,559	30,559
Expenditure	(29,624)	(29,624)
Transfer to unrestricted reserves	(935)	(935)
At end of year	-	-

17 Unrestricted funds

	Institute	Group	MRS (attributable to Group)	MSC	Group
	£000	£000	£000	£000	£000
Beginning of year	6,397	(10)	906	-	7,293
(Deficit)/surplus before goodwill amortisation, gift aid and gains on disposal	(268)	-	482	161	375
Goodwill amortisation	-	(96)	-	-	(96)
Gift aid	461	-	(340)	(161)	(40)
Net incoming resources	193	(96)	142	-	239
Gains on disposal	12	-	-	-	12
Transfer from other restricted reserves	935	-	-	-	935
At end of year	7,537	(106)	1,048	-	8,479

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

18 Net assets by fund

Group

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total Funds £000
At 31 March 2013				
Fixed assets	1,099	28,065	141	29,305
Current assets	15,434	-	111	15,545
Total creditors	(8,054)	-	-	(8,054)
Net assets	8,479	28,065	252	36,796
At 31 March 2012				
Fixed assets	182	29,770	121	30,073
Current assets	16,070	-	108	16,178
Total creditors	(8,959)	-	-	(8,959)
Net assets	7,293	29,770	229	37,292

Institute

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total Funds £000
At 31 March 2013				
Fixed assets	1,112	28,065	141	29,318
Current assets	13,793	-	111	13,904
Total creditors	(7,368)	-	-	(7,368)
Net assets	7,537	28,065	252	35,854
At 31 March 2012				
Fixed assets	100	29,770	121	29,991
Current assets	14,347	-	108	14,455
Total creditors	(8,050)	-	-	(8,050)
Net assets	6,397	29,770	229	36,396

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

19 Reconciliation of operating surplus for the financial year to net cash outflow from operating activities

	2013	2012
	£000	£000
Group		
Operating (deficit)/surplus for the financial year	(586)	193
Depreciation	3,296	3,345
Amortisation of goodwill	96	10
Capital grants credited to income and expenditure account	(1,552)	(3,101)
(Increase)/decrease in stock	(23)	21
Increase in debtors	(852)	(249)
(Decrease)/increase in creditors	(905)	402
Net cash (outflow)/inflow from operating activities	<u>(526)</u>	<u>621</u>

20 Analysis of changes in net funds

	At 31 March	Cash flows	At 31 March
	2012		2013
	£000	£000	£000
Cash at bank	<u>9,742</u>	<u>(1,508)</u>	<u>8,234</u>

21 Reconciliation of net cash flow to movement in net funds

	2013	2012
	£000	£000
(Decrease)/increase in cash in the year	<u>(1,508)</u>	<u>577</u>
Movement in funds in year	(1,508)	577
Net funds at beginning of year	9,742	9,165
Net funds at end of year	<u>8,234</u>	<u>9,742</u>

22 Capital commitments

The Group and Institute had no capital commitments at the end of either financial year, which were contracted for but for which no provision had been made.

THE JAMES HUTTON INSTITUTE
(Limited by Guarantee, Not Having A Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

23 Pension Scheme

All Institute staff are 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. The details of these schemes are given below and further information is available from the Civil Service Pension site at www.civilservice-pensions.gov.uk. The Nuvo and Partnership schemes are open to all new staff, while the Classic and Premium schemes are only available to staff who had joined those schemes prior to October 2002 and July 2007 respectively. The RCPS schemes, other than the Partnership scheme, are by analogy to the Principal Civil Service Pension Schemes (PCSPS), which are unfunded, with the benefits secured against future tax yields.

The Nuvo scheme is a defined benefits scheme under which 26% of pensionable earnings contribute to the pension for each year of membership. Employee contributions are 3.5% of salary. The Partnership scheme is a defined contributions scheme and is a stakeholder pension. The employer pays defined contributions into the pension fund and the employee is able to choose which pension provider to use and whether to make contributions. Current pension providers are TUC/Prudential, Scottish Widows, Standard Life, AMP / NPI. At 31 March 2013, there was 1 staff member who was contributing to the Partnership scheme.

The Classic scheme is a defined benefits scheme paying a pension based on 1/80th of final pensionable pay for each year of reckonable service plus a tax-free lump sum of three times the pension. Employee contributions of 1.5% are made towards widows and orphans benefits. This scheme was closed to new entrants from 30 September 2002.

The Premium scheme is a defined benefits scheme paying a pension based on 1/60th of final pensionable pay for each year of reckonable service. Part of the pension can be commuted to a lump sum. Employee contributions are 3.5% of salary. This scheme was closed to new entrants from 29 July 2007.

The RCPS defined benefits schemes, as with most public sector pension 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 company therefore accounts for these schemes as if they were defined contribution schemes.

The contributions remitted to JSS were £4,845,094 in the year (2012 - £4,284,000). There were no outstanding contributions at 31 March 2013 or 2012.

Mylnfield Research Services Limited operates for its employees a group personal pension arrangement. Benefits are accumulated on a money purchase basis and contributions are defined as a percentage of basic annual salary. The assets of the schemes, which are invested with an insurance company, are held separately from those of the subsidiary. Contributions payable by the subsidiary are charged to the profit and loss account as they fall due. During the year contributions payable amounted to £137,000 (2012 - £124,000). There were no outstanding contributions at 31 March 2013 or 2012.

THE JAMES HUTTON INSTITUTE
(Limited by Guarantee, Not Having A Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

24 Operating lease obligations

	2013		2012	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Group and Institute				
Operating leases which expire:				
Within 1 year	-	-	-	10
Between two and five years	-	44	-	10
After more than five years	176	-	176	45
	<u>176</u>	<u>44</u>	<u>176</u>	<u>55</u>

25 Reconciliation of movement in capital and reserves

	Group		Institute	
	2013	2012	2013	2012
	£000	£000	£000	£000
Opening capital and reserves	37,292	37,034	36,396	36,235
(Deficit) / surplus for the financial year	(516)	253	(562)	156
Other net gains	20	5	20	5
(Decrease) / increase in year	<u>(496)</u>	<u>258</u>	<u>(542)</u>	<u>161</u>
Closing capital and reserves	<u>36,796</u>	<u>37,292</u>	<u>35,854</u>	<u>36,396</u>

26 Related party transactions

The company 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 8.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

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 Mylnefield Research Services Limited (MRS), a company incorporated in the United Kingdom and registered in Scotland. The principal activity of MRS is technology transfer and the commercial exploitation of the scientific expertise and products of the James Hutton Institute. MRS has a 47% interest in the ordinary share capital of EnPrint Limited. It is expected that this will be diluted further in subsequent years and as such has been treated as a fixed asset investment rather than as an associate.

The Institute also holds 100% of the issued ordinary share capital (10,000 ordinary shares of £1 each) of Macaulay Scientific Consulting Limited (MSC), a company incorporated in the United Kingdom and registered in Scotland. The principal activity of MSC is to provide a range of consultancy and commercial services.

Both companies pay a substantial part of available profits as gift aid to the Institute. MRS also makes gift aid payments to the Mylnefield Trust.

A summary of the trading results is shown below. Audited financial statements for both companies are filed with the Registrar of Companies.

	Mylnefield Research Services Limited		Macaulay Scientific Consulting Limited	
	2013	2012	2013	2012
	£000	£000	£000	£000
Profit and loss				
Turnover	3,125	3,098	1,955	1,554
Cost of sales	(2,127)	(2,179)	(1,762)	(1,516)
Gross profit	998	919	193	38
Administration costs	(523)	(522)	(32)	(34)
Interest receivable - bank	7	7	-	-
	482	404	161	4
Taxation (Note 14)	-	3	-	-
Profit on ordinary activities after tax	482	407	161	4
Gift Aid payments - parent company	(300)	(300)	(161)	(4)
- to Trust	(40)	-	-	-
	142	107	-	-
The assets and liabilities of the subsidiary				
Fixed assets	87	86	-	-
Current assets	2,436	2,523	891	585
Creditors: amounts falling due with one year	(1,508)	(1,736)	(897)	(591)
Provisions for liabilities	-	-	-	-
Total net assets	1,015	873	(6)	(6)
Aggregate share capital and reserves	1,015	873	(6)	(6)

THE JAMES HUTTON INSTITUTE
(Limited by Guarantee, Not Having A Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

28 Analysis of Other Expenditure

	Group		Institute	
	2013	2012	2013	2012
	£000	£000	£000	£000
Support costs	5,773	5,354	5,575	5,274
Fees and stipends	553	269	553	269
Governance costs	126	162	117	153
Transition costs	-	178	-	178
	<u>6,452</u>	<u>5,963</u>	<u>6,245</u>	<u>5,874</u>