

Registered 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 2014**

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

TRUSTEES' REPORT AND GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

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

BOARD OF DIRECTORS

Chairman: Mr Ray Perman

Professor David Boxer (resigned 31st March 2014)
Mrs Julia Brown
Professor Brian Clark
Dr Laura Meagher
Mr Alexander Morrison
Professor Wayne Powell
Professor George Salmond (resigned 31st March 2014)
Mr Allan Stevenson
Mr George Thorley
Professor Alan Werritty

Chief Executive:

Professor Iain Gordon

THE JAMES HUTTON INSTITUTE

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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)

TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT

The Directors present their report and the audited financial statements for the year ended 31 March 2014.

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. This year has seen an unprecedented number of scientific breakthroughs, publication of journals, unique global collaborations, newly-formed Alliances, accreditations and awards for our research.

Our gender mix of staff was as follows: male (50.4%) and female (49.6%). At senior management level our gender mix was male (77%) and female (23%).

We successfully gained an Athena SWAN Bronze Award, recognising our commitment to supporting enhanced representation of women in science, technology, engineering, medicine and maths; one of the first Institutes in the UK to achieve this.

Strategic Report

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 2012-14 we focused upon an audit of our science excellence - panels of external international experts reviewed all of our Science Groups and our affiliated organisation, Biomathematics and Statistics Scotland (BioSS), with very positive results. Next year we will be reviewing our Research Themes to ensure that we are focusing on the right areas to grow our external funding and that they are delivering real impact.

A key driver for the formation of the James Hutton Institute was to create opportunities to increase our external earnings and reduce reliance on Scottish Government research contracts. The Institute has demonstrated that it is able to realise this ambition and has significantly increased its external earnings in the year 2013/14 to £12.3m compared to £10m in 2012/13. However, this increase in performance has not been able to compensate for a substantial decrease in our capital grant from Scottish Government to maintain our buildings infrastructure (particularly in Invergowrie) and purchase new scientific equipment to support our world-class science. This is not a viable long-term option and the Board of the Institute has agreed to a staff reduction scheme in order to 1) reduce the Institute salary bill; 2) invest in new skills to meet the needs of future external earnings opportunities; and 3) invest in new capital infrastructure and equipment. The Institute is also developing capital infrastructure plans for our Invergowrie and Aberdeen sites and research stations to create world class research and development facilities. 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. The long term resilience of the James Hutton Institute depends on deepening 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 is demonstrating the value that science brings to a wide range of individuals, communities, organisations and policymakers. Given the ever-changing global pressures and concerns, we also believe the James Hutton Institute is making a difference and contributing to a more sustainable planet.

THE JAMES HUTTON INSTITUTE

(Limited By Guarantee, Not Having A Share Capital)

TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT (CONTINUED)

Financial Statements

The Board of Directors ('the Board'; 'Board Members') present the report and financial statements for the year ended 31 March 2014, the third 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 2014 totalled £36.8m and comprised of:

- Endowment funds - £0.3m
- Restricted funds - £26.1m
- Unrestricted funds - £9.3m

The financial statements have been prepared using merger accounting.

The key features of the financial statements are:

- The group made an operating surplus before depreciation and investment income of £1.7m (2013: £2.8m). However, with reduced capital grant funding, this operating surplus is not sufficient to cover depreciation and provide for the Institute's capital replacement needs, and the group's deficit for the year was £1.2m (2013: £0.5m).
- Incoming resources were £39.2m (2013: £38.7m). Of this £25.2m was received from RESAS (2013: £27.1m). £12.3m came from external contracts with a range of funders, with just over half of this contributed by the commercial subsidiaries, and is an increase of £2.3m on the 2013 external contract income of £10m. The balance of £1.6m (2013: £1.9m) includes research station income, tuition fees and bank interest.
- RESAS provided a grant of £0.47m (2013: £0.76m) to fund infrastructure improvements. However, this level of funding is not sufficient to cover the Institute's capital replacement requirements and a further £0.5m (2013: £0.9m) was invested by the Institute to fund the purchase of essential plant and equipment. Successful delivery of the Institute's strategy requires a more significant capital investment plan. In 2013, the Institute invested £1.1m to fund the purchase of land at Berryhill which was a key investment for future growth of the group.
- In addition, Mylnefield Research Services purchased £34k (2013: £40k) of capital assets funded from its reserves.
- Mylnefield Research Services Ltd had a turnover of £4.38m (2013: £3.1m) and surplus of £0.54m (2013: £0.48m), out of which it made Gift Aid donations to its parent company of £0.4m (2013: £0.3m) and to the Mylnefield Trust of £nil (2013: £40k).
- Macaulay Scientific Consultancy Ltd had a turnover of £2.2m (2012: £2.0m) and a surplus of £0.46m (2013: £0.16m) out of which it made a Gift Aid donation to its parent company of £0.46m (2012: £0.16m).

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 transfer of our science excellence into products, services and knowledge for industry, stakeholders and governments will be strengthened this coming year with the creation of a single commercial subsidiary of the James Hutton Institute. The new company, James Hutton Limited, will incorporate the activities of its current commercial subsidiaries Mylnefield Research Services Ltd (MRS) and Macaulay Scientific Consulting Ltd (MSC) and build on their success.

THE JAMES HUTTON INSTITUTE

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TRUSTEES Report, incorporating the Strategic report (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 Trustees' Report, incorporating the Strategic Report 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

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TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT (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 decreased by £1.18m, compared with 2013. 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

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TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT (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

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TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT (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.

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TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT (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 2014 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 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.

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TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT (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

19 November 2014

THE JAMES HUTTON INSTITUTE

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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 2014. 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 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 Institute and the Institute'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.

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 Trustees' Report, incorporating the Strategic Report, to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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).

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

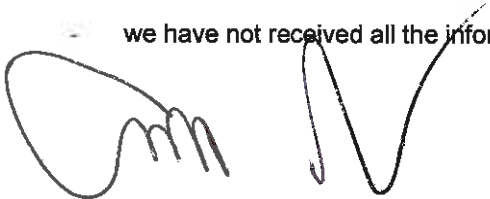
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report, incorporating the Strategic Report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

29 Albyn Place
Aberdeen
AB10 1YL

Date :

5 December 2014

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 2014

	Note	Unrestricted Funds	Restricted Funds	Endowment Funds	Total Funds 2014	Total Funds 2013
		£000	£000	£000	£000	£000
Incoming resources:						
Incoming resources from generated funds						
Trading income from subsidiaries		6,604	-	-	6,604	5,080
Investment income	5	70	-	9	79	58
Incoming resources from charitable activities	3	1,586	30,946	-	32,532	33,589
Total incoming resources		8,260	30,946	9	39,215	38,727
Resources expended:						
Cost of generating funds						
Expenditure of trading subsidiaries		5,627	-	-	5,627	4,484
Goodwill amortisation	8	-	-	-	-	96
Charitable Activities						
Activities in furtherance of charitable objectives	6	1,947	32,698	5	34,650	34,549
Governance costs	6	7	125	-	132	126
Taxation - trading subsidiaries		-	-	-	-	-
Total resources expended		7,581	32,823	5	40,409	39,255
Net incoming/(outgoing) resources before transfers		679	(1,877)	4	(1,194)	(528)
Transfers between funds		107	(107)	-	-	-
Net incoming/(outgoing) resources before other recognised gains and losses		786	(1,984)	4	(1,194)	(528)
Other recognised gains and losses:						
Realised gains on sales of fixed assets		5	-	-	5	12
Unrealised surplus on investment revaluations	9	-	-	11	11	20
Net movement in funds		791	(1,984)	15	(1,178)	(496)
Balances at 1 April 2013	26	8,479	28,065	252	36,796	37,292
Balance at 31 March 2014		9,270	26,081	267	35,618	36,796

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 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 2014

		Group		Institute	
	Note	2014	2013	2014	2013
		£000	£000	£000	£000
Income:					
Grants from RESAS	2	25,166	27,135	25,166	27,135
Research grants and contracts		5,732	4,924	5,732	4,924
Other grants		48	3	48	3
Intercompany charges		-	-	4,007	2,847
Gift aid receivable		-	-	855	461
Other income	3	1,586	1,527	1,586	1,527
Trading income from subsidiaries		6,604	5,080	-	-
		<u>39,136</u>	<u>38,669</u>	<u>37,394</u>	<u>36,897</u>
Expenditure:					
Staff costs		25,024	23,717	23,977	22,854
Scientific consumables		5,731	5,654	5,473	5,166
Depreciation	7	2,979	3,296	2,937	3,257
Goodwill amortisation	8	-	96	-	-
Other costs	29	6,675	6,452	6,402	6,245
Gift aid payable		-	40	-	-
		<u>40,409</u>	<u>39,255</u>	<u>38,789</u>	<u>37,522</u>
Operating deficit		(1,273)	(586)	(1,395)	(625)
Gain on sales of assets and investments		5	12	5	12
Investment income	5	79	58	66	51
Deficit before taxation		(1,189)	(516)	(1,324)	(562)
Taxation	15	-	-	-	-
Deficit for the financial year		<u>(1,189)</u>	<u>(516)</u>	<u>(1,324)</u>	<u>(562)</u>

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)
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2014

		Group		Institute	
	Note	2014	2013	2014	2013
		£000	£000	£000	£000
Deficit for the financial year		(1,189)	(516)	(1,324)	(562)
Unrealised surplus on revaluation of investments during year	9	11	20	11	20
Total recognised gains and losses relating to the year		<u>(1,178)</u>	<u>(496)</u>	<u>(1,313)</u>	<u>(542)</u>

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

BALANCE SHEETS
FOR THE YEAR ENDED 31 MARCH 2014

		Group		Institute	
	Note	2014	2013	2014	2013
		£000	£000	£000	£000
Fixed Assets:					
Tangible assets	7	27,172	29,164	27,093	29,077
Intangible assets	8	-	-	-	-
Investments	9	152	141	252	241
		<u>27,324</u>	<u>29,305</u>	<u>27,345</u>	<u>29,318</u>
Current Assets:					
Stocks	10	506	523	500	519
Debtors	11	6,149	6,788	5,065	7,004
Cash at bank and in hand		5,345	8,234	3,357	6,381
Investments - bank deposit accounts	12	5,540	-	5,540	-
		<u>17,540</u>	<u>15,545</u>	<u>14,462</u>	<u>13,904</u>
Creditors: amounts falling due within one year	13	<u>(9,069)</u>	<u>(7,807)</u>	<u>(7,089)</u>	<u>(7,121)</u>
Net Current Assets		<u>8,471</u>	<u>7,738</u>	<u>7,373</u>	<u>6,783</u>
Total assets less current liabilities		35,795	37,043	34,718	36,101
Creditors: amounts falling due after more than one year	14	(177)	(247)	(177)	(247)
Provision for liabilities and charges	15	-	-	-	-
Net Assets	19	<u>35,618</u>	<u>36,796</u>	<u>34,541</u>	<u>35,854</u>
Capital and reserves					
Endowment funds	16	267	252	267	252
Restricted funds	17	26,081	28,065	26,081	28,065
Unrestricted funds	18	9,270	8,479	8,193	7,537
	19	<u>35,618</u>	<u>36,796</u>	<u>34,541</u>	<u>35,854</u>

These financial statements were approved by the Board of Governors on *19th November 2014* and were signed on its behalf by:

R. J. Perman

Mr Ray Perman
Chairman

Allan Stevenson

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 2014

	Note	2014 £000	2013 £000
Net cash inflow/(outflow) from operating activities	20	<u>2,591</u>	<u>(526)</u>
Returns on investments and servicing of finance			
Bank interest received		70	51
Dividends received		9	7
Net cash inflow from returns on investment and servicing of finance		<u>79</u>	<u>58</u>
Taxation		-	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(997)	(2,605)
Proceeds on disposal of tangible fixed assets		15	13
Capital grants received		963	1,552
Net cash outflow from capital expenditure and financial investment		<u>(19)</u>	<u>(1,040)</u>
Cash Inflow/(outflow) before financing		<u>2,651</u>	<u>(1,508)</u>
Financing		-	-
Increase/(decrease) in cash in the year	21,22	<u>2,651</u>	<u>(1,508)</u>

THE JAMES HUTTON INSTITUTE
(Limited by Guarantee, Not Having A Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

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, Mynefield 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 2014

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.

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 market value.

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. 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 2014

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 statement of financial activities.

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 24. 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 2014

2 Grants received from RESAS

	2014	2013
	£000	£000
Group and Institute		
Opening deferred income	-	533
Grants for current expenditure	24,579	25,049
Grants for capital expenditure	963	1,553
	25,542	27,135
Income deferred - Centre of Expertise for Water	(376)	-
	25,166	27,135

3 Incoming resources from charitable activities

	2014	2013
	£000	£000
Group		
RESAS grants for revenue expenditure	24,203	25,582
RESAS grants for capital expenditure	963	1,553
Grants from MDT	48	3
Other grants and contract income of Institute	5,732	4,924
Other income	1,586	1,527
Total incoming resources from charitable activities	32,532	33,589

Analysis of Other Income

	2014	2013
	£000	£000
Group and Institute		
Facilities income	200	200
Other rental income	20	16
Management fees	17	43
Student fees	9	17
Services	329	445
Farm income	737	699
Other sundry income	274	107
	1,586	1,527

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

4 Employee information

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

	2014	2013
	Number	Number
Scientific	475	437
Other	155	158
	<u>630</u>	<u>595</u>
	£000	£000
Employee costs		
Wages and salaries	18,666	17,977
Social security costs	1,500	1,416
Other pension costs	4,536	4,324
Total direct costs of employment	<u>24,702</u>	<u>23,717</u>

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

	2014	2013
	£	£
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 £70,600 (2013 - £76,800) which includes irrecoverable VAT on invoiced services.

Travel and subsistence expenses of £6,000 (2013: £7,000) were re-imbursed to 7 members of the Board (2013: 9 members).

The remuneration of the highest paid employee during the year was £145,500 (2013: £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 2014

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:

	2014	2013
	Number	Number
£60,000 - £69,999	13	17
£70,000 - £79,999	2	3
£80,000 - £89,999	1	1
£90,000 - £99,999	3	1
£100,000 - £109,999	-	-
£110,000 - £119,999	-	-
£120,000 - £129,999	-	-
£130,000 - £139,999	-	1
£140,000 - £149,999	1	-
	20	22

All of the above employees are members of the Research Councils Pension Scheme (RCPS) (see note 24). The total contributions accrued to the schemes in relation to these staff in the year amount to £333,000 (2013: £350,000).

5 Investment Income

	Group		Institute	
	2014	2013	2014	2013
	£000	£000	£000	£000
Dividends from listed investments	9	7	9	7
Bank interest	70	51	57	44
	79	58	66	51

THE JAMES HUTTON INSTITUTE
(Limited by Guarantee, Not Having A Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

6 Resources Expended

	Group	
	2014	2013
	£000	£000
Activities in furtherance of charitable objectives		
Scientific staff costs	16,509	16,315
Support staff costs	5,906	5,206
	22,415	21,521
Scientific consumables	4,725	4,764
Fees and stipends	464	553
Depreciation	2,937	3,257
Support costs	4,109	4,454
	34,650	34,549
Support costs		
Rent and utilities	1,627	1,508
Communications and telephones	200	230
Technical services	399	500
ITS costs	419	369
Library and data manager	432	329
Property maintenance and service and cleaning	592	525
Business development	29	78
Other	2,108	2,027
	5,806	5,566
Recharged and included in expenditure of trading subsidiaries	(1,697)	(1,112)
	4,109	4,454

Governance costs

	Group	
	2014	2013
	£000	£000
Auditors' remuneration (Institute)		
- audit	24	24
- taxation services	4	3
- other services	52	33
Other governance costs	52	66
	132	126
Auditors' remuneration included in expenditure of trading subsidiaries		
- audit	9	8
- taxation services	1	1
	142	135

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

7 Tangible Fixed Assets

Group				
	Land and buildings £000	Plant, machinery and equipment £000	Motor Vehicles £000	Total £000
Cost				
At beginning of year	36,885	30,680	1,229	68,794
Additions	58	939	-	997
Disposals	-	(610)	(8)	(618)
At end of year	<u>36,943</u>	<u>31,009</u>	<u>1,221</u>	<u>69,173</u>
Depreciation				
At beginning of year	14,874	23,920	836	39,630
Charge for year	1,055	1,814	110	2,979
Disposals	-	(600)	(8)	(608)
At end of year	<u>15,929</u>	<u>25,134</u>	<u>938</u>	<u>42,001</u>
Net book value				
At 31 March 2014	<u>21,014</u>	<u>5,875</u>	<u>283</u>	<u>27,172</u>
At 31 March 2013	<u>22,011</u>	<u>6,760</u>	<u>393</u>	<u>29,164</u>
Institute				
	Land and buildings £000	Plant, machinery and equipment £000	Motor Vehicles £000	Total £000
Cost				
At beginning of year	36,885	30,130	1,229	68,244
Additions	58	905	-	963
Disposals	-	(610)	(8)	(618)
At end of year	<u>36,943</u>	<u>30,425</u>	<u>1,221</u>	<u>68,589</u>
Depreciation				
At beginning of year	14,874	23,457	836	39,167
Charge for year	1,055	1,772	110	2,937
Disposals	-	(600)	(8)	(608)
At end of year	<u>15,929</u>	<u>24,629</u>	<u>938</u>	<u>41,496</u>
Net book value				
At 31 March 2014	<u>21,014</u>	<u>5,796</u>	<u>283</u>	<u>27,093</u>
At 31 March 2013	<u>22,011</u>	<u>6,673</u>	<u>393</u>	<u>29,077</u>

Group and Institute

Included within heritable land and buildings is land of £4,616,166 (2013 - £4,616,166) 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 2014

8 Intangible fixed assets

	Goodwill £000
Group	
Cost	
At 1 April 2013 and 31 March 2014	<u><u>106</u></u>
Amortisation	
At 1 April 2013	106
Charge for year	-
At 31 March 2014	<u><u>106</u></u>
Net book value	
At 31 March 2014	<u><u>-</u></u>
At 31 March 2013	<u><u>-</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 2014

9	Fixed asset investments	Group		Institute	
		2014	2013	2014	2013
		£000	£000	£000	£000
	Investments listed on a recognised Stock Exchange	152	141	152	141
	Investment in subsidiary undertakings	-	-	100	100
		152	141	252	241
	Listed investments				
	At beginning of year	141	121	141	121
	Unrealised surplus on revaluation	11	20	11	20
	At end of year	152	141	152	141
	Historical cost at 31 March 2014	65	65	65	65

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

10	Stocks	Group		Institute	
		2014	2013	2014	2013
		£000	£000	£000	£000
	Farm Stock	474	498	474	498
	Other	32	25	26	21
		506	523	500	519

THE JAMES HUTTON INSTITUTE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

11 Debtors

	Group		Institute	
	2014	2013	2014	2013
	£000	£000	£000	£000
Trade debtors	1,093	983	-	-
Amounts due from group undertakings	-	-	1,320	1,686
Other debtors	1,544	955	1,544	955
Prepayments and accrued income	989	3,064	939	2,895
Amounts recoverable on research grants and contracts	2,523	1,786	1,262	1,468
	6,149	6,788	5,065	7,004

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

	2014	2013	2014	2013
	£000	£000	£000	£000
Other debtors	177	247	177	247

12 Current asset investments

	Group		Institute	
	2014	2013	2014	2013
	£000	£000	£000	£000
Bank deposit accounts	5,540	-	5,540	-

13 Creditors: amounts falling due within one year

	Group		Institute	
	2014	2013	2014	2013
	£000	£000	£000	£000
Trade creditors	881	1,455	829	1,408
Taxation and social security costs	622	698	517	679
Other creditors	278	285	232	285
Amounts due to group undertakings	-	-	200	-
Accruals and deferred income	863	829	682	771
Research grants and contract income received in advance	6,425	4,540	4,629	3,978
	9,069	7,807	7,089	7,121

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

14 Creditors: amounts falling due after one year

	Group		Institute	
	2014	2013	2014	2013
	£000	£000	£000	£000
Accruals due:-				
within 1 - 2 years	150	81	150	81
within 2 - 5 years	27	152	27	152
after more than 5 years	-	14	-	14
	<u>177</u>	<u>247</u>	<u>177</u>	<u>247</u>

15 Provisions for liabilities

	2014	2013
	£000	£000
Deferred taxation in respect of: Accelerated capital allowances	<u>-</u>	<u>-</u>

16 Endowment funds

	Lewis Endowment Fund £000
Income	9
Expenditure	<u>(5)</u>
	4
Unrealised gain on revaluation of investments	11
At beginning of year	252
At end of year	<u>267</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
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

17 Restricted funds

(a) Restricted capital reserves	Group £000	Institute £000
At beginning of year	28,065	28,065
RESAS grants for capital expenditure	963	963
Depreciation	(2,937)	(2,937)
Disposal of fixed assets	(10)	(10)
At end of year	26,081	26,081
(b) Other restricted reserves	Group £000	Institute £000
At beginning of year	-	-
Income	29,983	29,983
Expenditure	(29,876)	(29,876)
Transfer to unrestricted reserves	(107)	(107)
At end of year	-	-

18 Unrestricted funds

	Institute £000	Group £000	MRS (attributable to Group) £000	MSC £000	Group £000
Beginning of year	7,537	(106)	1,048	-	8,479
(Deficit)/surplus before goodwill amortisation, gift aid and gains on disposal	(311)	-	535	455	679
Gift aid	855	-	(400)	(455)	-
Net incoming resources	544	-	135	-	679
Gains on disposal	5	-	-	-	5
Transfer from other restricted reserves	107	-	-	-	107
At end of year	8,193	(106)	1,183	-	9,270

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

19 Net assets by fund

Group

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total Funds £000
At 31 March 2014				
Fixed assets	1,091	26,081	152	27,324
Current assets	17,425	-	115	17,540
Total creditors	(9,246)	-	-	(9,246)
Net assets	9,270	26,081	267	35,618
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

Institute

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total Funds £000
At 31 March 2014				
Fixed assets	1,112	26,081	152	27,345
Current assets	14,347	-	115	14,462
Total creditors	(7,266)	-	-	(7,266)
Net assets	8,193	26,081	267	34,541
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

THE JAMES HUTTON INSTITUTE
(Limited by Guarantee, Not Having A Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

20 Reconciliation of operating deficit for the financial year to net cash inflow/(outflow) from operating activities

	2014	2013
	£000	£000
Group		
Operating deficit for the financial year	(1,273)	(586)
Depreciation	2,979	3,296
Amortisation of goodwill	-	96
Capital grants credited to income and expenditure account	(963)	(1,552)
Decrease/(increase) in stock	17	(23)
Decrease/(increase) in debtors	639	(852)
Increase/(decrease) in creditors	1,192	(905)
Net cash inflow/(outflow) from operating activities	<u>2,591</u>	<u>(526)</u>

21 Analysis of changes in net funds

	At 31 March	Cash flows	At 31 March
	2013		2014
	£000	£000	£000
Cash at bank	8,234	(2,889)	5,345
Cash held in fixed term deposit accounts	-	5,540	5,540
Total movement in net funds	<u>8,234</u>	<u>2,651</u>	<u>10,885</u>

22 Reconciliation of net cash flow to movement in net funds

	2014	2013
	£000	£000
Increase/(Decrease) in cash in the year	<u>2,651</u>	<u>(1,508)</u>
Movement in funds in year	<u>2,651</u>	<u>(1,508)</u>
Net funds at beginning of year	<u>8,234</u>	<u>9,742</u>
Net funds at end of year	<u>10,885</u>	<u>8,234</u>

23 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.

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24 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 Nuvos 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 Nuvos scheme is a defined benefits scheme under which 26% of pensionable earnings contribute to the pension for each year of membership. Employee contributions range from 3.5% to 8.85% 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 Scottish Widows and Standard Life. At 31 March 2014, there were 3 staff members who were contributing to the Partnership scheme.

The Classic scheme is a defined benefits scheme paying a pension based on $1/80^{\text{th}}$ 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 $1/60^{\text{th}}$ 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% to 8.85% 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 £5,491,124 in the year (2013 - £4,845,094). There were no outstanding contributions at 31 March 2014 or 2013.

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 £145,329 (2013 - £137,000). There were no outstanding contributions at 31 March 2014 or 2013.

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25 Operating lease obligations

	2014		2013	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Group and Institute				
Operating leases which expire:				
Within 1 year	-	21	-	-
Between two and five years	-	41	-	44
After more than five years	179	-	176	-
	<u>179</u>	<u>62</u>	<u>176</u>	<u>44</u>

26 Reconciliation of movement in capital and reserves

	Group		Institute	
	2014	2013	2014	2013
	£000	£000	£000	£000
Opening capital and reserves	36,796	37,292	35,854	36,396
Deficit for the financial year	(1,189)	(516)	(1,324)	(562)
Other net gains	11	20	11	20
Decrease in year	<u>(1,178)</u>	<u>(496)</u>	<u>(1,313)</u>	<u>(542)</u>
Closing capital and reserves	<u>35,618</u>	<u>36,796</u>	<u>34,541</u>	<u>35,854</u>

27 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.

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28 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. The principal activity of EnPrint Limited was the microbiological analysis of water samples, however it has now ceased trading and is in the process of being wound up.

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	
	2014	2013	2014	2013
	£000	£000	£000	£000
Profit and loss				
Turnover	4,380	3,125	2,224	1,955
Cost of sales	(3,238)	(2,127)	(1,721)	(1,762)
Gross profit	1,142	998	503	193
Administration costs	(620)	(523)	(48)	(32)
Interest receivable - bank	13	7	-	-
	535	482	455	161
Taxation	-	-	-	-
Profit on ordinary activities after tax	535	482	455	161
Gift Aid payments - parent company	(400)	(300)	(455)	(161)
- to Trust	-	(40)	-	-
	135	142	-	-
The assets and liabilities of the subsidiary				
Fixed assets	79	87	-	-
Current assets	3,882	2,436	715	891
Creditors: amounts falling due with one year	(2,810)	(1,508)	(721)	(897)
Provisions for liabilities	-	-	-	-
Total net assets	1,151	1,015	(6)	(6)
Aggregate share capital and reserves	1,151	1,015	(6)	(6)

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29 Analysis of Other Expenditure

	Group		Institute	
	2014	2013	2014	2013
	£000	£000	£000	£000
Support costs	6,069	5,773	5,806	5,575
Fees and stipends	464	553	464	553
Governance costs	142	126	132	117
	<u>6,675</u>	<u>6,452</u>	<u>6,402</u>	<u>6,245</u>