

Company Registration Number: SC374831
Scottish Charity Number: SC041796

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

**TRUSTEES' REPORT
AND GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

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

TRUSTEES' REPORT AND GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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BOARD OF DIRECTORS

Chair

Dr Ian Gambles (existing Board Member, appointed as Chair 1 November 2020)

Professor James Curran (resigned as Chair and as a Board Member 31 October 2020)

Other Board Members

Samantha Barber (appointed 1 January 2021)

Susan Davies

Graeme Dickson (appointed 1 June 2020, resigned 21 January 2021)

Archibald Gibson

Professor Christopher Gilligan (appointed 1 June 2021)

Kenneth Greetham (appointed 1 January 2021)

Sir Paul Grice (appointed 1 May 2021)

Dr Stephen Hall (resigned 15 December 2020)

Dr Deborah Keith

George Lawrie

Joan MacNaughton (resigned 15 December 2020)

Dr Aileen McLeod (appointed 1 January 2021)

Iain Reid

Professor Ethel Marian Scott (resigned 15 December 2020)

Professor Alyson Tobin

Elizabeth Wade

Chief Executive

Professor Colin Campbell

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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

Auditor

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

Solicitors

Thorntons Solicitors
Whitehall House
33 Yeaman Shore
Dundee
DD1 4BJ

Bankers

Clydesdale Bank
1 Queens Cross
Aberdeen
AB15 4XU

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TRUSTEES' REPORT, INCORPORATING THE STRATEGIC REPORT

The Directors present their report and the audited financial statements for the year ended 31 March 2021.

Structure, Governance and Management

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

Board Members

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

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

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

Responsibilities of Board Members

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

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

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102) (second edition – October 2019);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures that are disclosed and explained in the financial statements;
- ensure that the statements have been prepared on a going concern basis, unless it is inappropriate to assume that the Institute will continue in operation.

The Board is responsible for ensuring that the organisation keeps adequate accounting records that disclose, with reasonable accuracy at any time, the financial position of the Institute and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the Institute and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Section 172 statement

We are required to provide information on how directors have fulfilled their duty under section 172(1) of the Companies Act 2006. This requirement is often referred to as a 'section 172 statement', which formally sets out how Board members, when performing their duties during the year, have taken into account the specific

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matters set out in that section. Sections 172(1)(a) to (f) deal with the directors' duty to promote the success of a company for the benefit of members as a whole, having regard to a number of broader matters including the likely consequence of decisions for the long term, the need to act fairly between members of the company, and the company's wider relationships.

Section 172(a) sets out the directors' responsibility to consider the likely consequences of decisions for the long term. The description below of the Hutton's management arrangements, committee structure and system of corporate governance, sets out the broad framework within which all decision-making is undertaken. This framework provides the overarching means by which the Hutton aims to ensure that the Board's decision-making encompasses all relevant matters, and takes into account the long-term interests of the Hutton, in accordance with the objectives set out in the Hutton's Articles of Association, and aligned with the Hutton's Values.

Section 172(b)-(f) deal with consideration of stakeholder relations, the environment, and reputation, and the need to act fairly between members.

Key stakeholders are considered to include the following groups:

- our people
- our funders and customers
- our research and commercial partners
- our communities
- our suppliers

The Board seeks to understand the interests of all key stakeholder groups so that these may be properly considered in the Board's decisions. This is achieved through various mechanisms, including: direct engagement by Board members; receiving reports and updates from the Executive Team and others in the wider Hutton community who engage with such groups; and coverage in Committee and Board papers of relevant stakeholder interests, for information, discussion and when seeking agreement on proposed courses of action. The Committees of the Board, whose remits are described in later sections of this Trustees' report, support the consideration of specific issues within the respective areas of those Committees' responsibilities.

The strength and quality of our delivery against our objectives is built first and foremost on the quality and efforts of our people. The section below on Employee Communications sets out the primary means by which we engage with our people. The Nominations, Remuneration and Governance Committee has a specific remit to support the Board in considering matters related to our people, organisation and culture.

Our funders and customers are a varied group of stakeholders spanning the public and private sector, and include the Scottish and UK governments, the EU, UK research councils, Universities, charities, and local, national and international businesses. Ongoing collaboration with a wide range of research and commercial partners is also fundamental to the success of what we do. Collaboration is actively encouraged to stimulate the creativity and innovation that leads to new science, to science-led policy development, and to translation of scientific outputs into successful commercial delivery. The Hutton's focus on an Open Science campus model is an increasingly important strand in our collaborative approach. Ongoing funder and customer support, in conjunction with wider collaborations and partnerships, are key to the success of the Hutton, and are monitored and discussed through the Board's and Committees' reviews of scientific, operational and financial performance.

Our responsibilities to community extend not just to the local communities within which we work – and for whom we aim to be good neighbours, including, for example, encouraging local use of our campuses – but also to the wider communities with whom and for whom we work in undertaking our research. As part of the Hutton community in its widest sense, we also rely on our suppliers to provide the essential goods and services needed to support us in undertaking our research and wider activities. The Hutton's commitment to support communities and suppliers is evidenced in our signing up to the Scottish Business Pledge.

As a research institute whose vision is to be at the forefront of innovative and transformative science for sustainable management of land, crop and natural resources, in support of thriving communities, responsibility to the environment is at the heart of much of what we do. As well as delivering our

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environment-related cross-disciplinary science and policy work, we actively review and aim incrementally to improve on our own impact on the environment. The Environment, Energy and Carbon section below provides more detail on this.

Board Members' Interests

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

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

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 Hutton's research themes, its end-user interest, stakeholder groups and gender balance.

Training of Board Members

Board Members' induction aims to ensure they are aware of 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 meet key members of the Hutton team, and other Board members. Ongoing training, support and relevant information is provided to Board Members as required.

Management of the Organisation

The Organisation is managed by an Executive Team who have functional responsibilities across the Hutton, encompassing all science and professional services areas. The Executive Team report to the Chief Executive Officer, who leads the organisation.

Responsibilities of the Chief Executive

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

1. Hutton's financial management processes, procedures and systems are operated correctly and with propriety;
2. procedures and processes 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. expenditure relates to clearly defined objectives, targets and performance measures, as set out in the Corporate Plan; and,
7. procedures and processes support adherence to funder terms and conditions.

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Nominations, Remuneration and Governance Committee

The Hutton operates independently, having historically operated within the provisions of the Biotechnology and Biological Sciences Research Council (BBSRC) Staff Code. The Nominations, Remuneration and Governance Committee comprises at least four members of the Institute's Board and works to terms of reference agreed by the main Board. The Committee reviews the remuneration of the CEO, Executives and Senior Managers of the Group, and also reviews the performance of the Chair and the Board. The Committee is responsible for advising the Board on the remuneration of non-Executive Directors, Chairs of Committees and Directors' pay.

Audit and Finance Committee

The Audit and Finance Committee comprises at least three members of the Institute's Board and works to terms of reference agreed by the main Board. The remit of the Committee includes the appointment of external and internal auditors and engagement with them to improve internal controls and manage risk. This includes agreeing audit plans, receiving reports, and ensuring that appropriate action is taken in response to recommendations.

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

In addition, the Committee specifically reviewed and advised the Board on the Group's going concern assessment. The historic, current and anticipated impacts of COVID-19 were taken into account as part of the review. The Committee discussed the going concern assessment with the Independent Auditor and confirmed the conclusions reached.

Science Excellence & Research Impact Committee

The Science Excellence & Research Impact Committee (formerly the Advisory Committee for Science, renamed as of February 2021 to reflect better the remit of the Committee) comprises at least four members of the Institute's Board and works to terms of reference agreed by the main Board.

The Committee's remit is to advise and support the Board and the Chief Executive in fostering a thriving research and research support culture, to oversee the design and implementation of external assessments of the quality, relevance and impact of the Hutton's science programmes. The Committee supports the Chief Executive and wider leadership team in mapping current research skills to opportunities for funding and partnerships to deliver impact, and in ensuring a purpose-led evolution of science capacity to meet future needs.

Corporate Governance

Corporate Governance is defined as the system by which organisations are directed and controlled. Effective Corporate Governance requires high standards of openness, integrity and accountability.

There is a clear division of responsibilities between the Non-Executive Members of the Board, and the Executive and wider employees of the Hutton, with the Non-Executive Board Members supporting the Executive and the wider Hutton community with additional expertise and oversight.

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 funds and assets provided to Hutton. Any 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. Good internal control reflects 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. Such a process has been in place for the year ended 31 March 2021 and up to the date of approval of the annual report and accounts.

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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:

- senior managers meet regularly to consider Hutton's plans and strategic direction;
- 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;
- comments made by the external auditors in their management letters and other reports;
- reports from the Audit & Finance Committee relating to the outcome of internal audit reviews of internal controls;
- 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;
- implementation of a system of quality control throughout the Hutton Group to the standards specified under the quality standard ISO9001:2015;
- procedures and policies to ensure the application of good scientific practice, as required by external funders such as the UK Research Councils;
- regular reporting on key performance and risk indicators;
- preparation of Business Plans, which are approved by the Board, along with regular financial reports and forecasts to the Board and senior managers;
- active use of an organisation-wide risk register; and,
- the development and maintenance of a business continuity plan.

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

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

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

Reserves Policy

The Board and the Executive have reviewed our Reserves Policy taking account of liabilities and unrestricted reserves. The total reserves at 31 March 2021 were £23.5m of which £17.8m are restricted for the purposes given and £0.4m related to endowments, leaving unrestricted reserves that can be used for any purpose within our charitable objectives. The Board have confirmed that they will plan to maintain a minimum unrestricted reserve within a range of between £3m and £6m which is considered sufficient to ensure ongoing operation under various scenarios. This year our unrestricted reserves at the end of March 2021 are £5.3m, which is in line with our Reserves Policy. The Board will continue to monitor the Reserves position given the ongoing challenges in securing sufficient income, managing cost pressures and managing the significant future cash outflows and inflows relating to the Tay Cities Deal investment at our Invergowrie site.

Investment Policy

Hutton's policy is that monies not immediately required for operations should be held in appropriate bank accounts, with interest credited to the income and expenditure account. Funds may be held on short to medium term deposit to achieve a higher interest rate where possible.

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Objectives and Activities

The James Hutton Institute is a world class organisation delivering evidence-based solutions to the challenges facing the use of land and natural resources. Our refreshed five-year Corporate Plan, covering 2021-2026, has been informed by consultation on the views of our science and professional services teams, through review of our research themes and objectives, and with input from our Board and other key stakeholders. It remains fully informed by the views of our stakeholder community, aligns with key areas of Scottish and UK Government science and policy, and is relevant to the current and future challenges to which the Hutton can contribute solutions.

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

The Hutton's principal activity 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.

We are located principally in facilities based in the Craigiebuckler area of Aberdeen and in Invergowrie, near Dundee; both the Craigiebuckler and Invergowrie sites are now owned by Hutton, following the transfer on 31 March 2021 of the Invergowrie site into our ownership under the terms of the Tay Cities Deal funding. The Invergowrie site was formerly leased from Scottish Government. During 2020-21 we operated Research Farms at Glensaugh in Aberdeenshire (leased); at Mylnefield, Invergowrie (also now owned) and Balruddery (owned) in Perthshire, near Dundee. A proportion of the buildings and equipment we use was funded by capital grant from RESAS (the Rural & Environment Science & Analytical Services division within the Scottish Government). At Glensaugh, we operated from land owned by and rented from the Scottish Ministers.

Achievements and Performance

Operational Overview

Our plans for 2020/21 were significantly constrained due to the COVID-19 pandemic, which was escalating globally during the early part of 2020/21 and had a sustained impact, to varying degrees, throughout the financial year. The Board convened virtually during 2020/21 to review and reassess the potential impact of COVID-19 on expectations around scientific activities, income generation and costs, including examining a number of more extreme scenarios, in order to confirm the degree of robustness of the Hutton's financial position. Our ability to continue normal operations was particularly constrained during the first quarter, when Scotland and the wider UK were subject to the strictest lockdown measures across society. During this initial period, we focused on how best to support our people and on identifying ways of working safely and optimally under the prevailing restrictions and in line with evolving guidance. Remote working arrangements were quickly established for those able to do so; safe ways of delivering essential on-site activities were put in place; colleagues unable to continue work in any form were placed on furlough. We very much welcomed the UK government's intervention in the form of the Coronavirus Job Retention Scheme, which has provided essential financial support and allowed us to preserve jobs throughout this difficult period. We took the early decision to continue to pay furloughed employees their full salary. Despite the additional cost pressures this created, we felt it appropriate to ensure individuals were not disadvantaged or pressured by their individual circumstances. We continued to use furlough appropriately and flexibly during 2020/21, with the aim of ensuring that the Group and our people could together achieve an appropriate shared balance between supporting the delivery of the Group's objectives while also recognising individuals' diverse personal circumstances. These decisions have fostered significant goodwill and bolstered positivity even as the impact of the pandemic has continued to affect society beyond the financial year end.

To the greatest degree possible in the circumstances, we continued during 2020/21 to pursue the application of our science to help address the global challenges specifically related to the use of land and natural resources. Some of our planned activities could not take place in the manner or to the degree originally envisaged, particularly where these necessarily required travel to research sites, where work could not satisfactorily or fully be undertaken remotely, and where our work or our partners' work suffered various COVID-related disruptions that slowed or interrupted activity. We nonetheless delivered much of our planned research with many significant research deliverables, publications, and further progress in sustaining and building on our Scottish, UK and global collaborations.

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A very significant and hugely exciting milestone during the year was the formal approval in December 2020 of the Tay Cities Deal (TCD) by the UK and Scottish governments, which allows us to begin progressing in earnest the £62m investment in facilities at our Invergowrie site to support the International Barley Hub and the Advanced Plant Growth Centre. The first investment supported by the TCD was our acquisition of the Invergowrie site from the Scottish Government, a key step in our strategy of seeking to unlock additional value from the site by moving to an Open Science Campus operating model.

Our commercial subsidiary, James Hutton Limited (JHL), continued to be the main vehicle for converting our Intellectual Property into commercial outcomes, while also building on professional services offerings across the group as a whole.

Our gender mix of employees at the year end was: male 48% (2020: 48%) and female 52% (2020: 52%). At Executive leadership level our gender mix was male 60% and female 40%. Our Equality, Diversity & Inclusion Committee continues to promote gender and wider equality at all levels. The Hutton was one of the first organisations of its kind to be awarded Athena SWAN Charter status in April 2014, and our ongoing commitment to advancing the careers of women in science and technology is recognised in the award of the Athena SWAN Bronze status to November 2022. As at the year end, the number of women on the Institute Board was six out of eleven directors, sustaining the early achievement of our objective of gender parity on the Board by 2021. The Board continues to work on the basis of phased retirements and recruitments with a view to ensuring continued gender parity. Accordingly, a number of planned retirements and recruitments have taken place during the year and after the year end, seeking to ensure continued balanced membership across business and scientific disciplines as well as gender balance.

Financial Review

The Board of Directors presents the report and financial statements for the year ended 31 March 2021. The statements comprise Group accounts for The James Hutton Institute and its commercial subsidiary, James Hutton Limited.

The capital and reserves as at 31 March 2021 totalled £23.5m and comprised:

- Endowment funds £0.4m
- Restricted funds £17.8m
- Unrestricted funds £5.3m

The highlights of the year are:

- The group made a surplus for the year after depreciation of £0.9m (2020: £2.2m deficit).
- Total income was £3.5m higher than last year at £39.3m (2020: £35.8m). The significant increase in income is largely due to capital income relating to the Tay Cities Deal, as explained in more detail below.
- Capital Income in the year funded directly by Scottish Government was £311k (2020 £15k). Capital funded from the TCD was £5.1m (2020: £nil). There was no other grant-funded capital expenditure (2020: £nil).
- Income recognised in the year from Institute contracts with a range of external funders other than RESAS was 15% lower year on year at £6.6m (2020: £7.8m).
- Other income includes research farms income, tuition fees, furlough subsidy and bank interest and was £2.0m (2020: £1.9m).
- James Hutton Limited had a turnover of £3.4m (2020 £3.5m) and made an operating profit of £19k (2020: £290k loss). A Gift Aid distribution to the Institute of £nil (2020: £nil) has been agreed post year end.

RESAS revenue grants awarded this year, including the Strategic Research Programme and Centres of Expertise, were relatively unchanged from the prior year at £21.7m (2020 £21.8m). Despite the challenges of

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the pandemic, we were able to progress the agreed deliverables for year five of the current programme of research. The year-to-year decrease in income on non-RESAS research grants and contracts reflects the difficult operating circumstances. Overall, given the disrupted operating environment, this is considered a good performance, reflecting the very significant efforts by all scientific and professional services team members to find ways to sustain our research activities whenever permitted, possible and safe for our people to do so during the year. Some of the year-to-year decrease in non-RESAS activity will reflect deferred work that will instead be undertaken during 2021/22, subject to the degree of continuing disruption. The year was also challenging in terms of securing new awards for future non-RESAS income, and while there were many notable successes, continued focus on securing new awards in a highly competitive environment will be essential to realise our growth plans.

A key milestone supported by TCD funding was the transfer of the Invergowrie site from Scottish Government ownership into Hutton ownership as of 31 March 2021. With the deal signed, we were also able to draw down and recognise as income in 2020/21 £1.4m of eligible capital costs incurred to date on planning, design and enabling works. Having taken ownership of the site, we are required to reflect this in our balance sheet at 'fair value', which an independent valuer has assessed at £3m for the land and £0.7m for the buildings. The fair value of the buildings contrasts with a year end net book value of £4.8m attributable to various improvements historically made to those buildings while under leasehold. As the fair value is less than the net book value, we have reflected a net impairment of £4.1m against the buildings, by reducing the book value of the leasehold improvements from £4.8m to £nil, at the same time as recognising freehold buildings additions valued at £0.7m. Overall, therefore, the I&E recognises 2020/21 capital income relating to TCD of £5.1m, offset by the impairment charge of £4.8m within expenditure. Within the Balance Sheet, our fixed assets have decreased by £0.8m, principally reflecting the combined effects of the TCD transactions: the inclusion of the Invergowrie land value as a new asset, the reduced value attributable to the Invergowrie buildings, and assets under construction reflecting capitalised expenditure on the TCD new facilities.

Notwithstanding the significant capital inflow from the TCD, it remains challenging to secure grants and generate other income to support the wider essential ongoing investment in, and maintenance of, our infrastructure and scientific equipment. Capital grants from the Scottish Government, which have historically been as high as £3.1m a decade ago in 2011 when Hutton was formed, have been increasingly difficult to secure in recent years. We were therefore grateful that an allocation of £0.3m was made available by RESAS towards the end of the financial year, for investment in scientific equipment directly utilised in support of their Strategic Research Programme.

James Hutton Limited (JHL) is a wholly owned subsidiary of the Institute. Its principal activities are to generate commercial income from the exploitation of intellectual property developed at the Institute; to build close relationships with partners across a number of industries including food and drink, Agri-tech, oil and gas and environmental services sectors; and to help diversify the customer base and revenue streams of the Institute. JHL is a key part of our strategy to reduce the reliance of the Institute on government funding and to increase our revenues from income sources that cover their full economic cost (FEC). Income from JHL's activities in 2020/21 stabilised at £3.5m, matching the £3.5m earned in 2019/20, with the business making a small profit. Plant Breeding and Licensing & Sales were the areas least affected by the COVID-19 disruption, as demand from growers continued at budgeted levels. Contract Research and Consultancy Services were more affected, both by the challenge of our continuing to be able to work in a safe manner and also by the impacts of COVID-19 on our customers and partners. Analytical Services was most affected as the level of customer activity decreased very significantly, and some of our services had to be closed completely during the first quarter, opening only partially and gradually in successive quarters as it was appropriate to do so, but with demand failing to pick up consistently through to the year end.

Pay costs year on year have decreased £2.3m (9.6%) from £23.9m to £21.6m. The year-on-year decrease reflects the lower employee numbers following the restructuring exercise that concluded at end of the 2019/20 financial year, and after which our planned recruitment to bolster capability in a number of scientific and professional services areas proceeded significantly more slowly than planned due to the COVID-19 disruption. Employee numbers therefore remained lower than budgeted throughout the financial year, with our delayed plans for recruitment only able to recommence in earnest towards the end of 2020/21.

Non-pay costs have been subject to sustained focus during the year – partly as a continuation of the focus on cost reduction in 2019/20, but also as a direct consequence of reduced on-site activity levels and reduced ability to travel due to COVID-19. This has seen scientific consumable costs reduce by £1.3m (28%) from £4.9m in

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2019/20 to £3.6m in 2020/21. Other non-pay costs, excluding depreciation, have reduced by £0.4m (7%) from £6.4m in 2019/20 to £6.0m in 2020/21.

The overall outturn for the year - a surplus of £0.9m, compared to the 2019/20 deficit of £2.2m – reflects the combined impacts of the significant capital income from TCD and the associated significant impairment charge following the Invergowrie site acquisition, as well as the net impact of our underlying performance, with reduced income but also reduced costs.

Key Performance Indicators

We use a number of Key Performance Indicators (KPIs) to monitor the performance of financial and non-financial delivery, including total income; financial surplus/deficit; the number of scientific journal papers published; impact assessments; employee numbers; measures of waste recycled and CO₂ emissions. The main financial KPIs are considered in the Financial Review section above. The main non-financial KPIs are:

1. Number of scientific Journal papers published:	360	(2020: 363)
2. Employee numbers:	500	(2020: 556)
3. Percentage of waste recycled:	90%	(2020: 90%)
4. CO ₂ emissions:	2,962 tonnes	(2020: 3,950 tonnes) *

* CO₂ emissions are reported on the same basis as for the Institute's Public Bodies' Climate Change Duties (PBCCD) report. The scope of CO₂ emissions reporting has increased over time and now includes additional emissions sources including all fuels, rail and car travel, waste and water.

We continue to demonstrate the value that science brings both to the economy and to a wide range of stakeholders. In an environment of ever-changing global pressures and concerns, 'The Hutton' is making a difference and contributing to a more sustainable world.

Going Concern

The Board has a reasonable expectation that the Group has adequate resources to continue operations. The Board has taken into account financial performance for the period following the 2020/21 year end up to the date of signing, and also considered assumptions and expectations around future performance. The Board has specifically included consideration of possible further impacts of COVID-19 or a similarly disruptive event, including more extreme scenarios that assume significant ongoing reductions in income, coupled with sustained expenditure. The outcome of this analysis demonstrates that the Group is expected to have sufficient cash reserves to enable it to meet its obligations for a period of at least twelve months from the date of signing of these financial statements. The Board therefore consider it appropriate to continue to adopt the going concern basis for preparing these financial statements.

Outlook

Our funding and operating environment may continue to be challenging for some time. The COVID-19 pandemic had broad and deep global impacts during the 2020/21 financial year, with those impacts continuing after the year end despite the growing levels of vaccination and easing of restrictions within the UK and elsewhere. The extended curtailment of societal activity has had extensive impacts across the economy, even with the UK and Scottish governments' welcome fiscal interventions, and the longer term repercussions are unclear. On a practical level, we are actively seeking to capitalise on the potential longer term benefits arising from our now proven capability for many colleagues to combine site-based and off-site working effectively, both in support of individuals' wellbeing and to optimise our use of available on-site space. We remain very positive about our scientific mission in the post-COVID-19 recovery period, and our ability to make significant scientific contributions across multiple priority areas of UK and Scottish government policy. Given our international links and collaborations, COVID-19 may of course continue to present challenges until vaccines are widely deployed globally and effective enduring control mechanisms are in place.

With the Tay Cities Deal now formally approved, significant investment will take place on our Invergowrie site over the coming years to upgrade existing facilities and establish new facilities. Work planned for 2021/22 includes: creating a new site access road; constructing a new Barley Field Research Station; constructing a new Integrated Field Facilities building; and the demolition of a number of existing buildings that are no longer

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fit for purpose, also clearing the way for the start of the construction of the main IBH/APGC building from 2022/23. More widely, we continue to look at opportunities to invest in support of our International Land Use Study Centre (ILUSC) at our Craigiebuckler Campus, and are currently exploring the possibility of improved access to the site as an initial step. We are very grateful for the collaborative support provided by the Macaulay Development Trust in relation to ILUSC, and have agreed Heads of Terms around their involvement in the development of the Centre. At Glensaugh Farm we are developing research opportunities in climate-positive farming. At Balruddery Farm we are exploring collaboration opportunities relating to the Tay Cities Deal - Angus Fund.

The UK's exit from the EU at the end of 2020 resolved many long-running uncertainties. Although there do remain some practical issues around certain aspects of the UK's interactions with the EU, the future of EU and UK research funding appears positive, with the UK's participation in the Horizon Europe funding programme secured. Around a third of our current non-RESAS research portfolio relates to EU activity, and EU collaborations remain a key area of focus for the Hutton. RESAS's current five-year strategic programme was due to have ended in 2020/21, but was extended by RESAS for a sixth year to give additional time to develop the next five-year programme. We have submitted, in collaboration with other Scottish Government Main Research Providers, our proposals in support of RESAS' next five-year Strategic Research Programme and the future provision of Underpinning Capacity services, with a view to the new arrangements coming in from 1 April 2022. We have also submitted responses to the Scottish Government's tender for Centres of Expertise, which, if successful, will result in contracts for at least three years. There is great opportunity to further align and enhance our activity across key areas of Scottish Government science and policy. We look forward to the potential for increased investment in line with the UK and Scottish Governments' economic strategies in research, while sustaining our focus on our wider income generation strategy in order to grow both our external contract income and our commercial revenues.

The Executive team and the Board will continue to review and reassess on a regular basis any potential further impact of COVID-19 on expectations around income generation and costs, to confirm the degree of robustness of the Institute's financial position and to plan mitigations.

While there remain many uncertainties, we have a key national and international role to play, and we are optimistic about our prospects.

Risks

We manage and mitigate risk in a number of ways. These include the use of Risk Registers across the organisation, a Risk Appetite Statement and policies on key operational matters. Our Risk Register is reviewed by the Board and updated regularly.

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

- COVID-19 will present ongoing risks to our ability to generate income if we, funders and other partners and customers are unable to operate fully and effectively.
- Any failure in the delivery of our research for RESAS could have significant financial and reputational repercussions given the scale of this multi-year programme.
- Failure to maintain an appropriate balanced portfolio of income that sufficiently reflects FEC – including generating sufficient non-research income, capitalising on commercial opportunities and our intellectual property, and securing wider funding opportunities – will lead to our being financially unsustainable in the longer term.
- Loss of key members of our scientific or professional services teams, or an inability to attract/retain team members due to availability of funding, our reward package, our attractiveness as an organisation, a lack of research resources or issues with work permits/visas would damage our ability to deliver our scientific and research objectives.
- During our development of multiple concurrent initiatives such as the International Barley Hub, the Advanced Plant Growth Centre, Hydro Nation International, the International Land Use Study Centre and the Glensaugh Climate Positive Farm, there is a risk of overstressing senior colleagues and project teams, with consequent risk to successful delivery while still successfully sustaining day to day activities.

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- Although the issues arising following the UK's withdrawal from the EU are now clearer, with many uncertainties having been resolved, there remains the risk of wider global uncertainty and disruption as the UK's international trade relationships evolve.

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

Financial instruments and credit risk

Our credit risk is primarily attributable to trade and other debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. We have no history of significant debt write-offs, and no significant concentration of credit risk, with our exposure spread over a large number of customers. Our credit risk on liquid funds is considered to be limited, with our counterparties having strong credit ratings from recognised credit-rating agencies. The Institute does not enter into any derivative financial instruments. The COVID-19 disruption does not appear to have created any significant new credit risk issues for us.

Other Information

Payment of Creditors

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

Equal Opportunities

We are an Equal Opportunity Employer committed to positive policies in recruitment, training and career development for our people. In accordance with our Equality and Diversity Policy all our people, regardless of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation should receive equal treatment. In recognition of these commitments we hold a bronze Athena SWAN accreditation addressing gender equality across a number of disciplines and are a Stonewall Diversity Champion, a Disability Confident Committed Employer and actively promote flexible working conversations from prospective and current team members. As a result, and in support of these initiatives, we may use positive action to achieve our legitimate ambitions.

Health and Safety

We seek to maintain and develop a positive attitude between our leadership team, all our people and trade unions with regard to health, safety and welfare at work issues. We have comprehensive and clearly laid out health and safety policies, procedures and systems and actively promote a strong health and safety culture. There is a Board level Health & Safety champion.

Employee Communications

The following arrangements are in place to provide information to and support consultation with our people:

Hutton Negotiating and Consultative Committee

Meetings of Union representatives and management, held at least twice per year or more frequently if necessary.

Health, Safety & Welfare Committee

Hutton's main safety committee. Subcommittees meet for laboratory, estates, research farm, policy and genetic modification issues.

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Environmental Committee	Employee-led Committee which considers environmental issues, policies and solutions which impact on our people, the Hutton Group and our working environment.
Health and Safety Manual	All employees are required to familiarise themselves with the online H&S Manual and related Policies and Procedures on appointment. Regular H&S bulletins and updates are issued to ensure continued awareness.
'Connect' intranet Site	Updated daily with news, employee information, blogs and updates.
Employee Bulletin	Circulated weekly by email.
Open House	A regular Hutton-wide forum hosted by the Chief Executive and open to all colleagues. Supports dissemination of information on Hutton's activities, and allows colleagues to raise questions of the Chief Executive and wider leadership team. During 2020/21, Open House moved fully online, and took place fortnightly, with a number of Board Members also attending most sessions. Open House was key to providing an ongoing connection with colleagues as the impact of the pandemic ebbed and flowed.
Employee Code	Available on Connect.
Research & Library information	Information on European and UK research initiatives and funding is circulated at least weekly, and information on new library resources is circulated on a regular basis, as required.

In addition, we have a comprehensive induction and orientation programme for new team members. All notices, manuals and minutes of the Committee meetings are published on the Hutton intranet.

We recognise Prospect as the Trade Union representing our employees and in addition we have our Negotiating and Consultative Committee.

Evaluating Quality of Service

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

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Environment, Energy and Carbon

Overview

As part of the Institute's commitment to sustainable development, we conduct our activities in such a manner as to reduce our impact on the environment. To assist in achieving this commitment, an Environmental Committee oversees all relevant environmental matters, reporting to the Senior Management Team. The Committee monitors relevant aspects of the Institute's activities and recommends changes to achieve a smaller environmental footprint, including an energy and waste management strategy that aims to minimise emissions to the environment and ensure that the standards set by all relevant legislation are either complied with or exceeded. 'Sustainable Hutton' was established to ensure an appropriate focus on these areas, with a dedicated sustainability officer and an Executive and Board champion. We are currently developing our Net Zero plan, which will guide how we further reduce our impact.

In accordance with the Streamlined Energy and Carbon Reporting Regulations we report specific energy- and carbon-related information annually. All figures reported are equivalent to our submission to Scottish Government under the Public Bodies' Climate Change Duties (PBCCD) reporting requirements. All published group PBCCD reports can be viewed on our website www.hutton.ac.uk/about/documents and provide further detail on the methodology.

Due to the global restrictions imposed to varying degrees throughout 2020/21 in response to the COVID-19 pandemic, our transport and travel emissions in particular have reduced year on year. Many of our people were working remotely for extended periods during 2020/21, and there were significant constraints on colleagues' ability to attend our sites, to travel between sites, and to visit events, collaborators and business partners nationally and internationally. Although we will aim to sustain the many positive lessons learned from this enforced rethinking of our ways of working, it is nonetheless likely that travel will increase during 2021/22 as we resume activities that were avoidable in the short term but are necessary in the longer term.

Total Greenhouse Gas emissions

Our total Greenhouse Gas (GHG) emissions have decreased significantly year on year:

	2020/21	2019/20
	GHG	GHG
	Emissions	Emissions
	(tCO _{2e})	(tCO _{2e})
Energy Consumption and GHG emissions	2,921	3,405
Other material sources of GHG emissions (Scope 3)	23	545
TOTAL EMISSIONS	2,944	3,950

Further analysis of GHGs arising from energy consumption and from other sources is provided below.

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Energy Consumption and Greenhouse Gas emissions

	2020/21		2019/20	
	Energy consumption (MWh, Net Calorific Value for fuels)	Resultant GHG Emissions (tCO _{2e})	Energy consumption (MWh, Net Calorific Value for fuels)	Resultant GHG Emissions (tCO _{2e})
Natural Gas	7,237	1,331	7,669	1,410
Electricity	5,640	1,343	6,256	1,735
Transport & Machinery Fuels				
...Diesel	940	240	958	249
...Petrol	26	6	36	9
...LPG / Propane	3	1	7	1
...Kerosene / Burning Oil	-	-	5	1
Fuels total	969	247	1,006	260
ENERGY TOTAL	13,846	2,921	14,931	3,405

Other material sources of Greenhouse Gas emissions (Scope 3)

	2020/21		2019/20	
	Footprint (units are source-specific)	Resultant GHG Emissions (tCO _{2e})	Footprint (units are source-specific)	Resultant GHG Emissions (tCO _{2e})
Travel				
...Domestic flights ('000 passenger-km)	2	-	190	48
...Short-haul flights ('000 passenger-km)	6	1	692	110
...Long-haul flights ('000 passenger-km)	50	10	1,511	292
...Rail ('000 passenger-km)	5	-	679	28
...Employee car mileage claimed as expenses ('000 km)	39	7	253	45
Travel total ('000 passenger-km)	102	18	3,325	523
Waste (tons)	174	3	257	4
Water ('000 m ³ supplied)	16	2	17	18
OTHER SOURCES TOTAL		23		545

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Intensity Ratios

We report below two intensity ratios:

- emissions per £1m of turnover
- emissions per employee

Both intensity ratios show a significant improvement from 2019/20 to 2020/21. We continue to take action, as outlined below, with a view to reducing our emissions and improving our intensity ratios.

	2020/21		2019/20	
	Metric value	Intensity ratio	Metric value	Intensity ratio
Group turnover	£39.2m	75.6 tCO _{2e} per £1m	£35.8m	110.3 tCO _{2e} per £1m
Average number of employees during the year	500	5.9 tCO _{2e} per person	556	7.1 tCO _{2e} per person

Energy Efficiency Action

Financial year 2020/21 was a completely unprecedented year for emissions because of the impact of COVID-19 on our activities. Restrictions on on-site working contributed to a reduction in our sites' electricity consumption by around 10% and our gas consumption by 6% compared to the previous year. While this represents a welcome reduction in our emissions, these figures illustrate the scale of our energy efficiency challenge: even with the majority of our people working off-site for extended periods, and our building occupancy therefore well below pre-COVID levels, our sites still used more than 90% of the energy that they would have under full occupancy. This principally reflects our necessary use of extensive heated and lit greenhouse space as well as the inherent low energy efficiency of many of our buildings due to their age and construction. Additionally, some countervailing factors arose from ensuring we made the necessary responses to COVID to protect our people – for example, previous efficiency improvements to the heat distribution system at our Craigiebuckler site were reversed by the need to increase the amount of fresh air provided to building occupants.

More positively, the almost 97% reduction in travel-related emissions contributed a 13% reduction in our overall year-on-year emissions. Retaining much of this reduction into future years will be essential to meet our long-term emissions reductions targets, and we are focusing on finding a balance between the ongoing opportunities of remote working technologies to reduce travel, with the need to provide sufficient opportunities for the in-person interactions that remain hugely important to the success of our work.

Action on renewable energy supplies continued in 2020/21. Our electricity supply remains entirely backed by Renewable Energy Guarantees of Origin (REGOs) through our supplier EDF. Planning approval in principle for a ground-source heat pump system to heat the Invergowrie glasshouses was sought and obtained, and we will continue to investigate funding options for this scheme. The work on the Invergowrie solar meadow project also continued, with financial feasibility confirmed for the Institute and our project partner, the Dundee Renewable Energy Society. This has allowed the project to proceed to the detailed design and planning application stage.

Access to Information and Data

Our policy regarding access to information derived from programmes of research commissioned by RESAS balances the principles and objectives of open access and open government – principles that the Institute fully supports – with the expectation that we should also seek, where appropriate, to 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.

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Statement of disclosure to auditor

Board members at the date of approval of this report confirm that:

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

Auditors

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

On behalf of the Board of Directors



Dr Ian Gambles
Chair

16 December 2021

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

Opinion

We have audited the financial statements of The James Hutton Institute (the "parent charitable company") and its subsidiary (the "group") for the year ended 31 March 2021 which comprise the Consolidated Statement of Financial Activities, the Group and Parent Charitable Company Income and Expenditure Account, the Group and Parent Charitable Company Balance Sheets, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 31 March 2021, and of the group's and parent charitable company's incoming resources and application of resources, including the group's and parent charitable company's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's Report thereon. The trustees are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

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

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of trustees

As explained more fully in the Board Members' Responsibilities Statement set out on page 3, the Board Members (who are also the directors of the charitable company for the purposes of company law and trustees for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the charitable company through discussions with trustees and other management, and from our charity sector knowledge and experience;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the charitable company, including the Companies Act 2006 and the Charities and Trustee Investment (Scotland) Act 2005, and data protection, anti-bribery, employment, and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal invoices; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the charitable company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed high level analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC and the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance.

Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the trustees and other management and the inspection of regulatory and legal correspondence, if any.

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

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

Use of our report

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



Antony J Sinclair BAcc CA (Senior Statutory Auditor)

for and on behalf of
French Duncan LLP

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

Date: 21 December 2021

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

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CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 MARCH 2021

	Note	Unrestricted Funds	Restricted Funds	Endowment Funds	Total Funds 2021	Total Funds 2020
		£000	£000	£000	£000	£000
Income and endowments from:						
Other trading activities	7	3,452	-	-	3,452	3,479
Investments	5	30	-	9	39	57
Charitable activities	3	984	34,766	-	35,750	32,267
Total income and endowments		4,466	34,766	9	39,241	35,803
Expenditure on:						
Raising funds	7	3,433	-	-	3,433	3,769
Charitable activities	6	1,173	33,794	-	34,967	34,177
Total expenditure		4,606	33,794	-	38,400	37,946
Net gains/(losses) on fixed asset investments	9	-	-	68	68	(40)
Net (expenditure)/income		(140)	972	77	909	(2,183)
Taxation	31	(57)	-	-	(57)	-
Transfers between funds		780	(780)	-	-	-
Net movement in funds	26	583	192	77	852	(2,183)
Balances at 1 April 2020		4,689	17,637	327	22,653	24,836
Balance at 31 March 2021		5,272	17,829	404	23,505	22,653

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 24 and 25.

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

The notes on pages 27 to 46 form part of these financial statements.

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INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2021

	Note	Group		Institute	
		2021	2020	2021	2020
		£000	£000	£000	£000
Income:					
Grants from RESAS	2	22,007	22,630	22,007	22,630
Research grants and contracts	3	6,619	7,764	6,619	7,764
Tay Cities Deal grants	3	5,100	-	5,100	-
Intercompany charges		-	-	1,542	1,532
Gift aid received		-	-	-	281
Other income	3	2,024	1,873	2,024	1,873
Trading income from subsidiaries	7	3,452	3,479	-	-
Gains on fixed asset investments		68	-	68	-
Interest and investment income	5	39	57	37	52
Gross income		39,309	35,803	37,397	34,132
Expenditure:					
Staff costs		21,630	23,889	20,330	22,586
Scientific consumables		3,857	5,420	3,582	4,949
Depreciation	8	2,203	2,295	2,027	2,129
Asset Impairment		4,761	-	4,761	-
Other costs	30	5,949	6,382	5,809	6,086
Total expenditure		38,400	37,986	36,509	35,750
Net income / (expenditure) before tax		909	(2,183)	888	(1,618)
Tax payable	31	(57)	-	-	-
Net income / (expenditure)		852	(2,183)	888	(1,618)

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 notes on pages 27 to 46 form part of these financial statements.

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

BALANCE SHEETS
FOR THE YEAR ENDED 31 MARCH 2021

		Group		Institute	
	Note	2021	2020	2021	2020
		£000	£000	£000	£000
Fixed Assets:					
Tangible assets	8	18,662	19,466	18,228	18,898
Investments	9	242	174	242	174
		<u>18,904</u>	<u>19,640</u>	<u>18,470</u>	<u>19,072</u>
Current Assets:					
Stocks	10	216	203	216	203
Debtors	11	5,335	5,331	4,460	4,917
Cash at bank and in hand		4,893	2,815	4,371	2,090
Investments - bank deposit accounts	12	5,152	3,132	4,632	2,614
		<u>15,596</u>	<u>11,481</u>	<u>13,679</u>	<u>9,824</u>
Creditors: amounts falling due within one year	13	<u>(10,577)</u>	<u>(8,184)</u>	<u>(10,032)</u>	<u>(7,744)</u>
Net Current Assets		<u>5,019</u>	<u>3,297</u>	<u>3,647</u>	<u>2,080</u>
Total assets less current liabilities		<u>23,923</u>	<u>22,937</u>	<u>22,117</u>	<u>21,152</u>
Creditors: amounts falling due after more than one year	14	(361)	(284)	(361)	(284)
Provision for liabilities	31	(57)	-	-	-
Net Assets	19	<u>23,505</u>	<u>22,653</u>	<u>21,756</u>	<u>20,868</u>
Funds of the charity					
Endowment funds	16	404	327	404	327
Restricted funds	17	17,829	17,637	17,829	17,637
Unrestricted funds	18	5,272	4,689	3,523	2,904
Total charity funds	19	<u>23,505</u>	<u>22,653</u>	<u>21,756</u>	<u>20,868</u>

These financial statements were approved by the Board on 16 December 2021 and were signed on its behalf by:



Dr Ian Gambles
Chair



Iain Reid
Director

The notes on pages 27 to 46 form part of these financial statements.

THE JAMES HUTTON INSTITUTE
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CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 £000	2020 £000
Net cash provided by/(used in) by operating activities	20	<u>4,653</u>	<u>(972)</u>
Investing activities			
Purchase of tangible fixed assets		(2,039)	(1,088)
Proceeds on disposal of tangible fixed assets		64	39
Bank interest received		30	49
Dividends received		9	8
Capital grants received		1,711	15
Net cash flow from investing activities		<u>(225)</u>	<u>(977)</u>
Financing activities			
Capital element of hire purchase repayments		(330)	(228)
Net cash flow from financing activities		<u>(330)</u>	<u>(228)</u>
Change in cash and cash equivalents		4,098	(2,177)
Cash and cash equivalents at start of reporting period	21	<u>5,947</u>	<u>8,124</u>
Cash and cash equivalents at end of reporting period	21	<u><u>10,045</u></u>	<u><u>5,947</u></u>

The notes on pages 27 to 46 form part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

1 Principal accounting policies

Company Information

The James Hutton Institute is a private company limited by guarantee incorporated in Scotland. The registered office is given on page 2 of these financial statements. The nature of the charity's operations and principal activities are set out within the Trustees' report on pages 3 to 18.

General information and basis of preparation

These accounts have been prepared in accordance with: FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland; the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities' (second edition - October 2019), which applies FRS102 to charities; and the Companies Act 2006. The financial statements have also been prepared in accordance with the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Charities and Trustee Investment (Scotland) Act 2005. The company is a Public Benefit Entity as defined by FRS 102.

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

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

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

FRS 102 reduced disclosure framework - parent charitable company

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

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

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

Going concern

At the time of approving these financial statements, the Board has a reasonable expectation that the Group has adequate resources to continue operations. The Board has taken into account financial performance for the period following the 2020/21 year end up to the date of signing, and also considered assumptions and expectations around future performance. The Board has specifically included consideration of the potential impact of COVID-19, including more extreme scenarios that assume significant ongoing reductions in income, coupled with sustained expenditure. The outcome of this analysis demonstrates that the Group is expected to have sufficient cash reserves to enable it to meet its obligations for a period of at least twelve months from the date of signing of these financial statements. The Board therefore consider it appropriate to continue to adopt the going concern basis for preparing these financial statements.

Basis of consolidation

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

1 Principal accounting policies (continued)

Gift aid distributions

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

Government Grants

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

Grants and contract income from external sources

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

Resources Expended

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

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

Intangible fixed assets

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

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

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

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

No depreciation is provided on heritable land.

Impairment of fixed assets

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

THE JAMES HUTTON INSTITUTE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

1 Principal accounting policies (continued)

Fixed asset investments

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

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

Current asset investments

Investments are in relation to fixed term bank deposit accounts.

Investment income

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

Stocks

Stocks are stated at the lower of cost and net 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 Trustees; or
- Restricted funds – these are funds that can only be used for particular restricted purposes within the objects of the Institute; or
- Endowment funds – these are funds that are required to be maintained as permanent capital and can only be used for particular restricted purposes as specified by the donor.

Financial Instruments

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

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

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

Basic financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

1 Principal accounting policies (continued)

Impairment of financial assets

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

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

Derecognition of financial assets

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

Basic financial liabilities

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

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

Classification of financial liabilities

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

Derecognition of financial liabilities

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

Taxation

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

Foreign currencies

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

Research and development expenditure

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

1 Principal accounting policies (continued)

Finance and operating leases

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

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

Employee benefits

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

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

Post retirement benefits

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

Details of the pension schemes are given in note 24.

Critical accounting estimates and judgements

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

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

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

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

THE JAMES HUTTON INSTITUTE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

2 Grants received from RESAS

	2021	2020
	£000	£000
Group and Institute		
Opening deferred income	735	990
Grants for current expenditure	21,696	21,761
Grants for capital expenditure	1,513	-
Grants for Tay Cities Deal	-	750
Other Scottish Government grants	-	(136)
	<u>23,944</u>	<u>23,365</u>
Income deferred - RESAS, Asbestos remedial work	(1,873)	(735)
- Other capital expenditure grants	(64)	-
	<u>22,007</u>	<u>22,630</u>

All amounts included above are attributable to restricted funds.

3 Income and endowments from charitable activities

	2021	2020
	£000	£000
Group		
RESAS grants for revenue expenditure	21,696	21,761
RESAS grants for capital expenditure	311	15
Tay Cities Deal for capital expenditure	5,100	-
Grants for Tay Cities Deal	-	750
Other Scottish Government grants	-	104
Grants from MDT for revenue expenditure	299	526
Other grants and contract income of Institute	6,320	7,238
Other income	2,024	1,873
Total incoming resources from charitable activities	<u>35,750</u>	<u>32,267</u>
Attributable to funds as follows:		
Restricted funds	34,766	30,764
Unrestricted funds	984	1,503
	<u>35,750</u>	<u>32,267</u>

Analysis of other income

	2021	2020
	£000	£000
Group and Institute		
Facilities income	226	226
Furlough subsidy	623	-
Centre for Knowledge	200	183
Other rental income	61	43
Student fees	21	16
Services	97	181
Farm income	564	880
Other sundry income	232	344
	<u>2,024</u>	<u>1,873</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

4 Employee information

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

	2021	2020
	Number	Number
Scientific	359	392
Other	141	164
	500	556
	£000	£000
Employee costs		
Wages and salaries	17,493	18,640
Social security costs	1,523	1,591
Other pension costs	2,578	2,747
Other benefits	36	911
Total direct costs of employment	21,630	23,889

Other benefits represents redundancy and ex-gratia payments paid to 11 employees (2020: 50). The group policy for redundancy entitlement is:

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

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

	2021	2020
	£	£
James Curran	17,500	30,000
Ian Gambles	19,500	2,000
Joan MacNaughton	8,484	12,000
Stephen Hall	8,484	12,000
Deborah Keith	12,000	12,000
Iain Reid	5,000	-
Susan Davies	3,548	-
Alyson Tobin	3,548	-
	78,064	68,000

The following JHL directors received remuneration of:

Anne Maccoll Turpin	6,000	6,000
Robin Walker	6,000	6,000
	12,000	12,000
	90,064	80,000

Travel and subsistence expenses of £1,069 (2020: £26,008) were reimbursed to 3 members of the Board (2020: 11 members).

THE JAMES HUTTON INSTITUTE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

4 Employee information (cont.)

The remuneration of the highest paid employee during the year was £154,500 (2020: £152,475). Key management personnel received remuneration (including pension contributions and social security costs) for their services as follows:

2021	2020
£	£
<u>748,326</u>	<u>817,999</u>

The number of key management personnel during the year was 5 full-time and 1 part-time (2020: 5 full-time and 2 part-time).

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

	2021	2020
	Number	Number
£60,000 - £69,999	18	14
£70,000 - £79,999	6	5
£80,000 - £89,999	1	1
£90,000 - £99,999	2	1
£100,000 - £109,999	1	1
£150,000 - £159,999	1	1
	<u>29</u>	<u>23</u>

Total pension contributions payable in relation to the above staff in the year amounted to £281,390 (2020 - £217,892).

5 Investment Income

	Group		Institute	
	2021	2020	2021	2020
	£000	£000	£000	£000
Dividends from listed investments	9	8	9	8
Bank interest	<u>30</u>	<u>49</u>	<u>28</u>	<u>44</u>
	<u>39</u>	<u>57</u>	<u>37</u>	<u>52</u>
Attributable to funds as follows:				
Endowment funds	9	8	9	8
Unrestricted funds	<u>30</u>	<u>49</u>	<u>28</u>	<u>44</u>
	<u>39</u>	<u>57</u>	<u>37</u>	<u>52</u>

THE JAMES HUTTON INSTITUTE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

6 Expenditure	Group	
	2021	2020
	£000	£000
Expenditure on charitable activities		
Scientific staff costs	14,804	15,823
Support staff costs	4,586	5,826
	19,390	21,649
Scientific consumables	3,580	4,949
PhD fees, stipends and other costs	160	214
Depreciation	2,027	2,129
Impairment of assets	4,761	-
Support costs	4,958	5,160
Governance costs	91	76
	34,967	34,177
Attributable to funds as follows:		
Restricted funds	33,794	32,610
Unrestricted funds	1,173	1,565
Endowment funds	-	2
	34,967	34,177
Support costs		
Rent and utilities	1,395	1,481
Communications and telephones	82	96
Technical services	507	534
ITS costs	938	836
Library and data manager	423	419
Property maintenance and service and cleaning	769	741
Other	1,446	1,647
	5,560	5,754
Recharged and included in expenditure of trading subsidiaries	(602)	(594)
	4,958	5,160
Governance costs		
	2021	2020
	£000	£000
Auditor's remuneration (Institute)		
- audit	23	23
- taxation services	-	-
- other services	-	-
Other governance costs	60	45
	83	68
Auditor's remuneration included in expenditure of trading subsidiaries		
- audit	5	5
- taxation services	3	3
	91	76

THE JAMES HUTTON INSTITUTE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

7 Income and expenditure of trading subsidiaries

	Group	
	2021	2020
	£000	£000
Other trading activities	3,452	3,479
Raising funds	(3,433)	(3,769)
Net income before interest	<u>19</u>	<u>(290)</u>

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

THE JAMES HUTTON INSTITUTE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

8 Tangible Fixed Assets

Group	Freehold Land and Buildings	Leasehold Improvements	Plant, Machinery and equipment	Motor Vehicles	Total
	£000	£000	£000	£000	£000
Cost					
At beginning of year	17,181	19,952	34,511	1,181	72,825
Additions	3,700	25	737	257	4,719
Under construction	1,467	-	-	-	1,467
Impairment	-	(19,721)	-	-	(19,721)
Disposals	-	-	(370)	(111)	(481)
At end of year	<u>22,348</u>	<u>256</u>	<u>34,878</u>	<u>1,327</u>	<u>58,809</u>
Depreciation					
At beginning of year	7,834	14,316	30,246	963	53,359
Charge for year	249	745	1,146	63	2,203
Impairment	-	(14,960)	-	-	(14,960)
Disposals	-	-	(358)	(97)	(455)
At end of year	<u>8,083</u>	<u>101</u>	<u>31,034</u>	<u>929</u>	<u>40,147</u>
Net book value					
At 31 March 2021	<u>14,265</u>	<u>155</u>	<u>3,844</u>	<u>398</u>	<u>18,662</u>
At 31 March 2020	<u>9,347</u>	<u>5,636</u>	<u>4,265</u>	<u>218</u>	<u>19,466</u>

Institute	Freehold Land and Buildings	Leasehold Improvements	Plant, Machinery and equipment	Motor Vehicles	Total
	£000	£000	£000	£000	£000
Cost					
At beginning of year	17,181	19,952	33,125	1,181	71,439
Additions	3,700	25	695	257	4,677
Under construction	1,467	-	-	-	1,467
Impairment	-	(19,721)	-	-	(19,721)
Disposals	-	-	(370)	(111)	(481)
At end of year	<u>22,348</u>	<u>256</u>	<u>33,450</u>	<u>1,327</u>	<u>57,381</u>
Depreciation					
At beginning of year	7,834	14,316	29,428	963	52,541
Charge for year	249	745	970	63	2,027
Impairment	-	(14,960)	-	-	(14,960)
Disposals	-	-	(358)	(97)	(455)
At end of year	<u>8,083</u>	<u>101</u>	<u>30,040</u>	<u>929</u>	<u>39,153</u>
Net book value					
At 31 March 2021	<u>14,265</u>	<u>155</u>	<u>3,410</u>	<u>398</u>	<u>18,228</u>
At 31 March 2020	<u>9,347</u>	<u>5,636</u>	<u>3,697</u>	<u>218</u>	<u>18,898</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

8 Tangible Fixed Assets (continued)

Group and Institute

Included within freehold land and buildings is undepreciated land of £7,616,166 (2020 - £4,616,166).

On 31 March 2021 the leased property at Mylnefield, Bullion and East Pilmore Farm, Invergowrie was transferred into the ownership of the Institute. Related past leasehold improvements were written down to nil value at that date and the value of the freehold land and buildings included as an addition.

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

	2021	2020
	£000	£000
Motor vehicles	378	224
Plant, machinery and equipment	678	600
	<u>1,056</u>	<u>824</u>
Depreciation charged in year in respect of leased assets	<u>194</u>	<u>156</u>

9 Fixed Asset Investments

	Group		Institute	
	2021	2020	2021	2020
	£000	£000	£000	£000
Listed Investments				
At beginning of year	174	214	174	214
Unrealised gain/(loss) on revaluation	68	(40)	68	(40)
At end of year	<u>242</u>	<u>174</u>	<u>242</u>	<u>174</u>
Historical cost at 31 March 2021	<u>65</u>	<u>65</u>	<u>65</u>	<u>65</u>

	Group		Institute	
	2021	2020	2021	2020
	£000	£000	£000	£000
Unrealised gain/(loss) on fixed asset investments	<u>68</u>	<u>(40)</u>	<u>68</u>	<u>(40)</u>
Attributable to funds as follows:				
Endowment funds	68	(40)		
Restricted funds	-	-		
	<u>68</u>	<u>(40)</u>		

10 Stocks

	Group		Institute	
	2021	2020	2021	2020
	£000	£000	£000	£000
Farm Stock	190	180	190	180
Other	26	23	26	23
	<u>216</u>	<u>203</u>	<u>216</u>	<u>203</u>

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11 Debtors

	Group		Institute	
	2021	2020	2021	2020
	£000	£000	£000	£000
Trade debtors	653	602	-	-
Amounts due from group undertakings	-	-	154	401
Other debtors	1,312	1,894	1,312	1,894
Loan to Associated Company	188	50	-	-
Prepayments and accrued income	2,405	964	2,250	814
Amounts recoverable on research grants and contracts	777	1,821	744	1,808
	<u>5,335</u>	<u>5,331</u>	<u>4,460</u>	<u>4,917</u>

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

	2021	2020	2021	2020
	£000	£000	£000	£000
Other debtors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

12 Current asset investments

	Group		Institute	
	2021	2020	2021	2020
	£000	£000	£000	£000
Bank deposit accounts	<u>5,152</u>	<u>3,132</u>	<u>4,632</u>	<u>2,614</u>

13 Creditors: amounts falling due within one year

	Group		Institute	
	2021	2020	2021	2020
	£000	£000	£000	£000
Trade creditors	946	865	896	810
Taxation and social security costs	536	512	436	425
Other creditors	484	381	467	366
Accruals and deferred income	3,229	2,354	3,124	2,195
Hire purchase creditors	287	247	287	247
Research grants and contract income received in advance	5,095	3,825	4,822	3,701
	<u>10,577</u>	<u>8,184</u>	<u>10,032</u>	<u>7,744</u>

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14 Creditors: amounts falling due after one year

	Group		Institute	
	2021 £000	2020 £000	2021 £000	2020 £000
Hire purchase and finance lease creditors:-				
within 1 - 2 years	205	166	205	166
within 2 - 5 years	156	118	156	118
	<u>361</u>	<u>284</u>	<u>361</u>	<u>284</u>

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

15 Financial instruments

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

	Group		Institute	
	2021 £000	2020 £000	2021 £000	2020 £000
Financial assets measured at fair value through net income / expenditure	<u>242</u>	<u>174</u>	<u>242</u>	<u>174</u>
Financial assets that are debt instruments measured at amortised cost	<u>14,541</u>	<u>10,439</u>	<u>12,708</u>	<u>8,867</u>
Financial liabilities measured at amortised cost	<u>3,008</u>	<u>3,019</u>	<u>2,853</u>	<u>2,805</u>

16 Endowment funds

	Lewis Endowment Fund	
	2021 £000	2020 £000
Income	9	8
Expenditure	-	(2)
	<u>9</u>	<u>6</u>
Unrealised gain/(loss) on revaluation of investments	68	(40)
At beginning of year	327	361
At end of year	<u>404</u>	<u>327</u>

Purpose of funds:

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

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17 Restricted funds

(a) Restricted capital reserves	Group and Institute	
	2021	2020
	£000	£000
At beginning of year	17,637	18,738
RESAS grants for capital expenditure	311	15
Tay Cities Deal for capital expenditure	5,100	-
Other grant funding and external contracts	1,364	857
Depreciation	(1,796)	(1,965)
Impairment of leasehold improvements	(4,761)	-
Disposal of fixed assets	(26)	(8)
At end of year	<u>17,829</u>	<u>17,637</u>

Restricted capital reserves represent the value of reserves relating to funding required to be applied as capital expenditure.

(b) Other restricted reserves	Group and Institute	
	2021	2020
	£000	£000
At beginning of year	-	-
Income	27,991	29,892
Expenditure	(27,211)	(30,637)
Extraordinary items	-	-
Transfer (to) / from unrestricted reserves (Note 18)	(780)	745
At end of year	<u>-</u>	<u>-</u>

Other restricted reserves arise where income received is subject to specific conditions governing how that income may be spent.

18 Unrestricted funds

	Institute	JHL	Group	Group
	2021	2021	2021	2020
	£000	£000	£000	£000
Beginning of year	2,904	1,785	4,689	5,737
Net (expenditure) / income	(161)	(36)	(197)	(303)
Gift aid distribution to parent company	-	-	-	-
Reallocation	-	-	-	-
Transfer from/(to) other restricted reserves	780	-	780	(745)
At end of year	<u>3,523</u>	<u>1,749</u>	<u>5,272</u>	<u>4,689</u>

In line with clarification issued by the Financial Reporting Council (FRC) and related amendments to FRS 102, the group accounts for gift aid distributions by JHL to the Institute as JHL reserve movements and Institute income in the period they are formally approved. There were no designated reserves. Transfers to other restricted reserves reflect a deficit on restricted reserves. Transfers from other restricted reserves reflect restricted expenditure met out of unrestricted funds.

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19 Net assets by fund

Group

	Unrestricted Funds	Restricted Funds	Endowment Funds	Total Funds
	£000	£000	£000	£000
At 31 March 2021				
Fixed assets	2,772	15,890	242	18,904
Current assets	13,495	1,939	162	15,596
Total creditors	(10,995)	-	-	(10,995)
Net assets	5,272	17,829	404	23,505

	Unrestricted Funds	Restricted Funds	Endowment Funds	Total Funds
	£000	£000	£000	£000
At 31 March 2020				
Fixed assets	2,564	16,902	174	19,640
Current assets	10,593	735	153	11,481
Total creditors	(8,468)	-	-	(8,468)
Net assets	4,689	17,637	327	22,653

Institute

	Unrestricted Funds	Restricted Funds	Endowment Funds	Total Funds
	£000	£000	£000	£000
At 31 March 2021				
Fixed assets	2,338	15,890	242	18,470
Current assets	11,578	1,939	162	13,679
Total creditors	(10,393)	-	-	(10,393)
Net assets	3,523	17,829	404	21,756

	Unrestricted Funds	Restricted Funds	Endowment Funds	Total Funds
	£000	£000	£000	£000
At 31 March 2020				
Fixed assets	1,996	16,902	174	19,072
Current assets	8,936	735	153	9,824
Total creditors	(8,028)	-	-	(8,028)
Net assets	2,904	17,637	327	20,868

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

	2021	2020
	£000	£000
Group		
Net income/(expenditure)	852	(2,183)
Depreciation	2,203	2,295
Taxation	57	-
Impairment of assets	4,761	-
Capital grants credited to income and expenditure account	(1,711)	(15)
Direct transfer of assets	(3,700)	-
Dividends and interest received	(39)	(57)
Net (gain)/loss on fixed assets	(106)	9
(Increase)/decrease in stock	(13)	147
(Increase)/decrease in debtors	(4)	60
Increase/(decrease) in creditors	2,353	(1,228)
Net cash provided by/(used in) operating activities	4,653	(972)

21 Components of cash and cash equivalents

	2021	2020
	£000	£000
Cash at bank and in hand	4,893	2,815
Investments - bank deposit accounts	5,152	3,132
	<u>10,045</u>	<u>5,947</u>

22 Reconciliation of net debt

	At 31 March 2020	Cash flows	New finance leases	Foreign exchange movements	At 31 March 2021
	£000	£000	£000	£000	£000
Cash	2,815	2,086	-	(8)	4,893
Cash equivalents	3,132	2,020	-	-	5,152
Finance lease obligations	(531)	330	(447)	-	(648)
TOTAL	<u>5,416</u>	<u>4,436</u>	<u>(447)</u>	<u>(8)</u>	<u>9,397</u>

23 Capital commitments

At the year end, the Group was committed to purchasing tangible fixed assets of £346k of which £332k related to the Institute (2020 – Group and Institute £276k).

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24 Pension Scheme

Staff joining the Institute after 1 September 2014 and staff of James Hutton Limited were eligible to join a group personal pension scheme. The assets of the scheme are invested with an insurance company and are held separately from those of the Group.

During the year contributions payable by the Group amounted to £2,460k (2020 - £2,615k), excluding life cover. Outstanding contributions at 31 March 2021 were £352k (2020 - £353k).

All Institute staff who were employed by The James Hutton Institute prior to September 2014 were eligible to join one of a number of pension schemes encompassed within the Research Councils Pension Scheme (RCPS), which is administered centrally on behalf of all the UK Research Councils by the Joint Superannuation Service (JSS) of the National Environment Research Council (NERC).

There are several different schemes within the RCPS, which have varying benefits and contributions. Further information in relation to these schemes is available from the Civil Service Pension site at www.civilservice-pensions.gov.uk. The RCPS schemes are by analogy to the Principal Civil Service Pension Schemes (PCSPS), which are unfunded, with the benefits secured against future tax yields.

As with most public sector pension schemes, the RCPS schemes are multi-employer defined benefits schemes, where the employer is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. The Institute therefore accounts for these schemes as if they were defined contribution schemes.

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

25 Operating lease obligations

At 31 March 2021 the Institute had total future minimum lease payments under non-cancellable operating leases as follows:

	2021	2020
	£000	£000
Group and Institute		
Within 1 year	102	136
Between 2 and 5 years	284	286
After more than 5 years	1,153	1,218
	<u>1,539</u>	<u>1,640</u>

26 Reconciliation of movement in reserves

	Group		Institute	
	2021	2020	2021	2020
	£000	£000	£000	£000
Opening reserves	22,653	24,836	20,868	22,486
Surplus/(Deficit) for the financial year	852	(2,183)	888	(1,618)
Closing reserves	<u>23,505</u>	<u>22,653</u>	<u>21,756</u>	<u>20,868</u>

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27 Related party transactions

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

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 James Hutton Limited (JHL), a company incorporated in the United Kingdom and registered in Scotland (SC121376). The principal activities of JHL are technology transfer, the commercial exploitation of the scientific expertise and products of the James Hutton Institute and the provision of a range of consultancy and commercial services.

JHL distributes a substantial part of available profits as gift aid to the Institute. Subsequent to the year end, a distribution of £nil has been approved in respect of the year ended 31 March 2021.

A summary of the trading results is shown below.

	James Hutton Limited	
	2021	2020
	£000	£000
Profit and loss		
Turnover	3,412	3,479
Cost of sales	(2,585)	(2,794)
Gross profit	827	685
Administrative expenses	(848)	(975)
Other operating income	40	-
Operating profit / (loss)	19	(290)
Interest receivable	2	6
Taxation	(57)	-
(Loss) for financial year	(36)	(284)
Gift Aid distribution to: parent company	-	(281)
(Decrease) to reserves	(36)	(565)
The assets and liabilities of the subsidiary		
Fixed assets	434	568
Current assets	2,071	2,058
Creditors: amounts falling due with one year	(699)	(841)
Provisions for liabilities	(57)	-
Total net assets	1,749	1,785
Aggregate share capital and reserves	1,749	1,785

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29 Income

	Group		Institute	
	2021 £000	2020 £000	2021 £000	2020 £000
Geographical segment:				
United Kingdom	35,567	31,565	34,847	30,546
Rest of Europe	3,084	3,377	2,345	2,901
Rest of World	551	804	100	352
	<u>39,202</u>	<u>35,746</u>	<u>37,292</u>	<u>33,799</u>
Gift aid	-	-	-	281
Gains on fixed asset investments	68	-	68	-
Interest and investment income	39	57	37	52
	<u>39,309</u>	<u>35,803</u>	<u>37,397</u>	<u>34,132</u>

30 Analysis of Other Expenditure

	Group		Institute	
	2021 £000	2020 £000	2021 £000	2020 £000
Support costs	5,698	5,157	5,566	4,875
Loss on fixed asset investments	-	40	-	40
Reorganisation costs	-	895	-	889
Fees and stipends	160	214	160	214
Governance costs	91	76	83	68
	<u>5,949</u>	<u>6,382</u>	<u>5,809</u>	<u>6,086</u>

31 Provisions for liabilities

	2021	Statement of	2020
	£000	financial activities	£000
Deferred taxation	<u>57</u>	<u>(57)</u>	<u>-</u>

32 Contingent liability

Under the terms of the purchase of the Invergowrie site from the Scottish Government, Hutton has entered a clawback agreement and granted a standard security over the Invergowrie site. In the event that Hutton sells some or all of the site within 20 years of the 31 March 2021 purchase date, Hutton may be liable to make a payment to the Scottish Government, with that payment calculated in accordance with an agreed formula capturing any uplift in value. As at the date of these financial statements, the full site remains in Hutton's ownership, and no liability arises.