

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 2020

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

TRUSTEES' REPORT AND GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

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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

Ms Samantha Barber (appointed 1 January 2021)

Ms Susan Davies

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

Mr Archibald Gibson

Mr Kenneth Greetham (appointed 1 January 2021)

Dr Stephen Hall (resigned 15 December 2020)

Dr Deborah Keith

Mr George Lawrie

Ms Joan MacNaughton (resigned 15 December 2020)

Ms Aileen McLeod (appointed 1 January 2021)

Mr Iain Reid

Professor Ethel Marian Scott (resigned 15 December 2020)

Professor Alyson Tobin

Ms 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 (CONTINUED)

The Directors present their report and the audited financial statements for the year ended 31 March 2020.

Structure, Governance and Management

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

Board Members

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

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

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

Responsibilities of Board Members

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

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

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP (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. 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

A new Companies Act reporting requirement came into force for annual reporting periods commencing on or after 1 January 2019. We are required to provide additional information from this year on how directors have

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fulfilled their duty under section 172(1) of the Companies Act 2006. This requirement is often referred to as a 'section 172 statement'. Section 172(1) itself is not new, only the requirement to report formally how Board members, when performing their duties during the year, have taken into account the specific matters set out in that section. Sections 172(1)(a) to (f) deal with the directors' duty to promote the success of the company for the benefit of shareholders 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) deals 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 Staff 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 staffing, 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.

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

Training of Board Members

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

Management of the Organisation

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

Responsibilities of the Chief Executive

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

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

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Nominations, Remuneration and Governance Committee

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

Audit and Finance Committee

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

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

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

The Committee in addition reviewed and advised the Board on the Group's going concern assessment. The current and anticipated impact of COVID-19 was considered as part of the review. The Committee discussed the going concern assessment with the Independent Auditor and reviewed the conclusions reached.

Advisory Committee for Science

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

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

Corporate Governance

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

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

Whilst the Board is ultimately responsible for the Institute's system of internal control and risk management, the Chief Executive has responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, whilst safeguarding the public funds and assets provided to the Institute. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. It is an ongoing process designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 March 2020 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:

- the senior managers of the Institute meet regularly to consider the plans and strategic direction of the Institute;
- periodic reports from the Chair of the Audit & Finance Committee concerning internal control;
- regular reports by internal auditors which include their independent opinion on the adequacy and effectiveness of the systems of internal control, together with recommendations for improvement;
- regular reports from managers and Committees, with responsibility for specific areas and services, on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects;
- comments made by the external auditors in their management letters and other reports;
- implementation of a system of quality control throughout the Institute and its subsidiary to the standards specified under the quality standard ISO9001:2015;
- procedures and policies to ensure the application of good scientific practice, as required by external funders such as the UK Research Councils;
- establishment of key performance and risk indicators and reports thereon;
- preparation of Business Plans, which are approved by the Board, along with regular financial reports and forecasts to the Board and senior managers;
- maintenance of an organisation-wide risk register;
- the development of a business continuity plan.

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

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

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

Reserves policy

The Board and the Executive have reviewed our Reserves Policy taking account of liabilities and unrestricted reserves. The total reserves at 31 March 2020 were £22.7m of which £17.6m are restricted for the purposes given and £0.3m related to endowments, leaving unrestricted reserves that can be used for any purpose within the objectives of the charity. 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 2020 are £4.7m and compliant with our Reserves Policy. The Board will continue to monitor the Reserves position given the ongoing challenges in securing sufficient income and managing cost pressures.

Investment Policy

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

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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 current five-year Corporate Plan (2016-2021) for the James Hutton Group was informed by the reviews of our Science Groups, our Research Themes, our Board, staff, and key external stakeholders. We have begun the development of our next five-year plan and will consult widely to ensure 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 principal activity of the Institute is to conduct research in soil, plant and environmental sciences leading to knowledge, innovation and services to meet the multiple demands on land and natural resources.

The Institute is located principally in facilities based in the Craigiebuckler area of Aberdeen and in Invergowrie, near Dundee; the Craigiebuckler site is owned by the Institute and the Invergowrie site is leased from Scottish Government. During 2019-20 the Institute operated Research Farms at Glensaugh in Aberdeenshire (leased); at Mylnefield (leased) and Balruddery (owned) in Perthshire, near Dundee; and at Hartwood (leased) in North Lanarkshire. Farming activity at Hartwood ceased during 2019-20, and the lease has been terminated during the year, following a decision that the farm was no longer required to support the Institute's strategic aims. A proportion of the buildings and equipment used by the Institute was funded by capital grant from RESAS (the Rural & Environment Science & Analytical Services division within the Scottish Government). At Invergowrie, Glensaugh and Hartwood, the Institute has operated from land owned by and rented from the Scottish Ministers.

Achievements and Performance

We continue to build on our many significant scientific research successes, reflecting our commitment to excellence in our scientific research, and to pursue the application of our science to help address the global challenges specifically related to the use of land and natural resources.

This year has seen further impact and breakthroughs, with significant research deliverables, many publications, and progress in building on Scottish, UK and global collaborations, including the evolving partnerships in Africa and the Indian sub-continent, where we work closely with UK and local Governmental agencies.

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

Our gender mix of staff was: male 48% (2019: 46%) and female 52% (2019: 54%). At senior management level our gender mix was male 71% and female 29%. Our Equality, Diversity & Inclusion Committee continues to promote gender and wider equality at all levels. The James Hutton Institute 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. The number of women on the Institute Board is six out of twelve directors, sustaining the early achievement of our objective of gender parity on the Board by 2020. This is a significant achievement and well ahead of schedule. The Board continues to work on the basis of phased retirements and recruitments to ensure this continuity going forward. A matrix of skills and experience has been drawn up to guide new recruitments.

Financial Review

The James Hutton Institute continues to look for opportunities to increase our external earnings and commercial sales, to reduce our overall reliance on Scottish Government funding from RESAS.

In 2019/20 we recognised income on non-RESAS research grants and contracts of £7.8m, £0.2m (2.7%) higher than the previous year (£7.6m). Although only a slight increase, significant effort had continued during the year both to sustain and increase these sources of funding. The continued challenge of growing non-RESAS income

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reflects the wider challenges of the organisation: the increasingly competitive nature of winning grants and other external funding; constraints resulting from a sustained period of austerity across the UK; and the cyclical nature of grant awards from bodies such as the EU. Having been granted Independent Research Organisation (IRO) status with UKRI in late June 2018, the Institute did see some success during the 2019/20 financial year in securing a number of significant UKRI awards, and this is an area of continued focus.

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. Over the medium to longer term this will help reduce the reliance of the Institute on government funding. Income from JHL's activities in 2019/20 decreased to £3.5m, down 15% from £4.1m in 2018/19, with the business making a loss. This reflected a combination of commercial and operational challenges, in particular resourcing and performance challenges within the Analytical Services division. Measures have been put in place to address the challenges, with a view to improving performance for the 2020/21 financial year.

Securing grants and generating other income to support the essential ongoing investment in, and maintenance of, our infrastructure and scientific equipment remains challenging. Capital grants from the Scottish Government, which have historically been as high as £3.1m in 2011, have been increasingly difficult to secure in recent years. We were grateful, therefore, to receive a £750k grant in support of the initial outlays being incurred at our Invergowrie site in relation to our work in preparation for the Tay Cities Deal investment that will create the Advanced Plant Growth Centre and International Barley Hub. This £62m investment will be a major milestone for the Institute, and a cornerstone of a sustainable future. We look forward to commencing this transformational project fully once the deal is formally signed by the UK and Scottish Governments, which we expect to be in late 2020/21.

Staff costs year on year have increased £421k (1.8%) from £23.5m to £23.9m. The increase is due to the one-off costs associated with the restructuring exercise undertaken during the second half of the financial year, intended both to reshape capability within a number of scientific and professional services areas and also to achieve a lower ongoing cost base in support of greater financial sustainability.

Non-staff costs have been subject to continued scrutiny during the year as part of the wider focus on cost reduction. This has seen scientific consumable costs reduce by £526k (8.8%) from £5.9m in 2018/19 to £5.4m in 2019/20. Other non-pay costs, excluding depreciation, have remained static at £6.4m.

Although the COVID-19 pandemic was escalating globally during the final quarter of the 2019/20 financial year, there was little impact on the Institute within 2019/20, with the Institute able to remain fully operational until late March 2020. The Outlook section below comments on the post year end impact.

The outturn for the year was a deficit of £2.2m, an increase of £686k on the 2018/19 deficit of £1.5m.

The organisation uses a number of Key Performance Indicators (KPIs) to monitor the performance of financial and non-financial matters, including: total income; financial surplus/deficit; the number of scientific journal papers published; impact assessments; staff numbers; measures of waste recycled and CO₂ emissions. The main financial KPIs are considered in the Financial Statements section below. The main non-financial KPIs are:

1. Number of scientific Journal papers published:	363	(2019: 341)
2. Staff numbers:	556	(2019: 578)
3. Percentage of waste recycled:	90%	(2019: 88%)
4. CO ₂ emissions:	3,950 tonnes	(2019: 4,240 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. The 2018/19 comparative shown above has been restated on a basis comparable with 2019/20. On the previous basis, a figure of 3,896 tonnes was reported for 2018/19.

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

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Financial Statements

The Board of Directors presents the report and financial statements for the year ended 31 March 2020. The statements comprise Group accounts for The James Hutton Institute and its commercial subsidiary, James Hutton Limited.

The capital and reserves as reported in the financial statements at 31 March 2020 totalled £22.7m and comprised of:

- Endowment funds £0.3m
- Restricted funds £17.6m
- Unrestricted funds £4.7m

The main highlights of the financial statements are:

- The group made an operating loss before depreciation of £0.05m (2019: surplus £1.0m). After depreciation, the group's deficit for the year was £2.2m (2019: £1.5m).
- Total income was £35.8m (2019: £36.8m). RESAS funding awarded which included for the Strategic Research Programme and Centres of Expertise this year was £21.8m (2019 £22.2m).
- Capital Income in the year funded directly by Scottish Government was £15k (2019 £0.3m). No capital expenditure was funded from other grant sources (2019: £518k).
- Income recognised in the year from Institute contracts with a range of external funders was slightly higher year on year at £7.8m (2019: £7.6m). Other income includes research farms income, tuition fees and bank interest and was £1.9m (2019: £2.0m).
- James Hutton Limited had a turnover of £3.5m (2019 £4.1m) and made a loss of £0.3m (2019: £0.9m surplus). A Gift Aid distribution to its parent company of £nil (2019: £0.3m) has been agreed post year end.

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 2019/20 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 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.

Outlook and impact of COVID-19

The funding and operating environment will continue to be challenging for the foreseeable future. The COVID-19 pandemic was beginning to have particular impact in the UK during the final weeks of the 2019/20 financial year. The period immediately following the financial year end saw significant curtailment of societal activity, and extensive impacts across the economy, despite the UK and Scottish governments' welcome fiscal interventions. The Executive team and the Board have reviewed and reassessed on a regular basis the potential impact of COVID-19 on expectations around income generation and costs, including examining a number of more extreme scenarios, in order to confirm the degree of robustness of the Institute's financial position. While there remain many uncertainties, the Institute has a key national and international role to play, and we are optimistic about our prospects.

Establishing positive ways of living and working in a 'post-COVID-19 world' will be key to the recovery prospects for the economy as a whole and for individual organisations such as the Hutton. We are actively seeking ways

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to capitalise on the opportunities presented by the challenges of the pandemic – such as the potential longer term benefits arising from our now proven capability for many staff to combine site-based and off-site working effectively. 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.

We expect the Tay Cities Deal to be formally approved by the UK and Scottish governments during 2020/21, allowing us to progress in earnest with a £62m investment in facilities at our Invergowrie site to support the International Barley Hub and the Advanced Plant Growth Centre. We are looking at opportunities to invest in support of an International Land Use Study Centre at our Craigiebuckler Campus. 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.

COVID-19 will of course continue to present challenges unless an effective vaccine is found and deployed. We are encouraged by the potential for a 'green recovery', and the potential for government investment in support of such a recovery. The role we could play in this is significant, given our strong alignment across all aspects of that agenda. Although there remains continued uncertainty around the future of EU and UK research funding in a post-Brexit world, with discussions beginning around the shape of RESAS' next Strategic Research Programme, we see 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.

Risks

The Institute manages and mitigates risk in a number of ways. These include the use of Risk Registers across the organisation, a Risk Appetite Statement and policy / position statements on a number of key operational matters. The Institute Risk Register is reviewed by our 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 presents ongoing risks to our ability to generate income if we, funders and other partners and customers are unable to operate fully and effectively.
- Failures in delivery of SG research and reductions or retention of funds. New SG Programme and new models of delivery being considered for 2021.
- Failure to generate enough non-Scottish Government income and recognise/capitalise on intellectual property, funding opportunities or other commercial developments.
- Risk to EU funding due to uncertainty and medium- to long-term risk due to withdrawal from the EU.
- Loss of key members of staff or inability to attract/retain staff due to availability of funding, salary restrictions, organisation arrangements, lack of research resources or problems with work permits/visas and Brexit uncertainties. Organisational change with new structures and cost efficiencies could run the risk of loss of staff.
- The Institute is developing a number of high profile, high value capital projects including the International Barley Hub, the Advanced Plant Growth Centre, and the International Land Use Centre. Should all of these projects be successful, the implementation phase could stretch the Executive and project teams, resulting in risks to successful project delivery and to successfully sustaining day to day activities.

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

Financial instruments and credit risk

The credit risk is primarily attributable to its trade and other debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The Institute has no significant concentration of credit risk, with exposure spread over a large number of customers. The credit risk on liquid funds is limited because the

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TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT (CONTINUED)

counterparties are with credit-ratings assigned by international credit-rating agencies. The Institute does not enter into any derivative financial instruments.

Other Information

Payment of Creditors

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

Equal Opportunities

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

Health and Safety

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

Staff Communications

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

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

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TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT (CONTINUED)

Library information

Information on European and UK research initiatives and funding is circulated to staff at least weekly, and information on new library resources is circulated every two months.

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

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

Evaluating the Quality of Service

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

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, an Executive and Board champion, and group of volunteer staff to undertake specific projects aimed at increasing our corporate sustainability and responsibility.

In accordance with the Streamlined Energy and Carbon Reporting Regulations we now report additional energy- and carbon- related information annually. All figures reported are in line with 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 and provide further detail on the methodology.

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TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT (CONTINUED)

Total Greenhouse Gas emissions

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

	2019/20 GHG Emissions (tCO _{2e})	2018/19 GHG Emissions (tCO _{2e})
Energy Consumption and GHG emissions	3,405	3,608
Other material sources of GHG emissions (Scope 3)	545	633
TOTAL EMISSIONS	3,950	4,241

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

Energy Consumption and Greenhouse Gas emissions

	2019/20		2018/19	
	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	7,669	1,410	7,316	1,346
Electricity	6,256	1,735	6,475	1,989
Transport & Machinery Fuels				
...Diesel	958	249	981	258
...Petrol	36	9	46	11
...LPG / Propane	7	1	3	1
...Kerosene / Burning Oil	5	1	9	3
Fuels total	1,006	260	1,039	273
ENERGY TOTAL	14,931	3,405	14,830	3,608

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TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT (CONTINUED)

Other material sources of Greenhouse Gas emissions (Scope 3)

	2019/20		2018/19	
	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)	190	48	334	100
...Short-haul flights ('000 passenger-km)	692	110	613	100
...Long-haul flights ('000 passenger-km)	1,511	292	1,701	361
...Rail ('000 passenger-km)	679	28	742	33
...Employee car mileage claimed as expenses ('000 km)	253	45	104	19
Travel total ('000 passenger-km)	3,325	523	3,494	613
Waste (tons)	257	4	177	2
Water ('000 m ³ supplied)	17	18	18	18
OTHER SOURCES TOTAL		545		633

Intensity Ratios

We report below two intensity ratios:

- emissions per £1m of turnover
- emissions per staff member

Both intensity ratios show a small improvement from 2018/19 to 2019/20. We continue to take action, as outlined below, with a view to reducing our emissions and improving our intensity ratios.

	2019/20		2018/19	
	Metric value	Intensity ratio	Metric value	Intensity ratio
Group turnover	£35.8m	110.3 tCO _{2e} per £1m	£36.8m	115.3 tCO _{2e} per £1m
Average number of staff employed during the year	556	7.1 tCO _{2e} per person	578	7.3 tCO _{2e} per person

Energy Efficiency Action

Financial year 2019/20 saw a 3% year on year decrease in electricity consumption. This is in line with reductions in previous years and reflects a programme of continuous improvements to the estate – such as lighting and IT equipment – that is gradually reducing our on-site electricity use. Our electricity supply remains entirely backed by Renewable Energy Guarantees of Origin (REGOs) through EDF.

There was a 5% year on year increase in gas consumption in 2019/20 compared to 2018/19. However, 2018/19 had the lowest gas consumption in the period since 2014/15, with 2019/20 ranking second lowest. The reduced gas consumption over the past two years is due to improvements made to the heat distribution system at our Craigiebuckler campus in April 2018.

During 2019/20, work continued on feasibility studies and business case development for investments in renewable heat and electricity systems at our Invergowrie campus: a heat pump system and a solar meadow. If feasible and economically viable, these systems would significantly reduce our carbon footprint.

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TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT (CONTINUED)

Access to Information and Data

The Institute policy regarding to 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 the Institute 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.

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

25 February 2021

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

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 2020 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 2020, and of the group's and parent charitable company's incoming resources and application of resources, including the group's and parent charitable company's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

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

Responsibilities of trustees

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

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

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

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

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

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

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

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

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

Use of our report

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



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

Chartered Accountants and Statutory Auditor
133 Finnieston Street
Glasgow
G3 8HB
9 March 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 2020

	Note	Unrestricted Funds	Restricted Funds	Endowment Funds	Total Funds 2020	Total Funds 2019
		£000	£000	£000	£000	£000
Income and endowments from:						
Other trading activities	7	3,479	-	-	3,479	4,123
Investments	5	49	-	8	57	60
Charitable activities	3	1,503	30,764	-	32,267	32,576
Total income and endowments		5,031	30,764	8	35,803	36,759
Expenditure on:						
Raising funds	7	3,769	-	-	3,769	3,264
Charitable activities	6	1,565	32,610	2	34,177	34,984
Total expenditure		5,334	32,610	2	37,946	38,248
Net (losses)/gains on fixed asset investments	9	-	-	(40)	(40)	(8)
Net (expenditure)/income		(303)	(1,846)	(34)	(2,183)	(1,497)
Transfers between funds		(745)	745	-	-	-
Net movement in funds	26	(1,048)	(1,101)	(34)	(2,183)	(1,497)
Balances at 1 April 2019		5,737	18,738	361	24,836	26,333
Balance at 31 March 2020		4,689	17,637	327	22,653	24,836

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 22 and 23.

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

The notes on pages 25 to 44 form part of these financial statements.

THE JAMES HUTTON INSTITUTE
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INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2020

	Note	Group		Institute	
		2020	2019	2020	2019
		£000	£000	£000	£000
Income:					
Grants from RESAS	2	22,630	23,065	22,630	23,065
Research grants and contracts		7,764	7,560	7,764	7,560
Intercompany charges		-	-	1,532	1,384
Gift aid received		-	-	281	548
Other income	3	1,873	1,951	1,873	1,951
Trading income from subsidiaries	7	3,479	4,123	-	-
Gains on fixed asset investments		-	-	-	-
Interest and investment income	5	57	60	52	50
Gross income		35,803	36,759	34,132	34,558
Expenditure:					
Staff costs		23,889	23,468	22,586	21,948
Scientific consumables		5,420	5,946	4,949	5,609
Depreciation	8	2,295	2,485	2,129	2,455
Other costs	30	6,382	6,357	6,086	6,364
Total expenditure		37,986	38,256	35,750	36,376
Net expenditure before tax		(2,183)	(1,497)	(1,618)	(1,818)
Tax payable		-	-	-	-
Net expenditure		(2,183)	(1,497)	(1,618)	(1,818)

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

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

The notes on pages 25 to 44 form part of these financial statements.

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BALANCE SHEETS
FOR THE YEAR ENDED 31 MARCH 2020

	Note	Group		Institute	
		2020 £000	2019 £000	2020 £000	2019 £000
Fixed Assets:					
Tangible assets	8	19,466	20,283	18,898	19,705
Investments	9	174	214	174	214
		<u>19,640</u>	<u>20,497</u>	<u>19,072</u>	<u>19,919</u>
Current Assets:					
Stocks	10	203	350	203	350
Debtors	11	5,331	5,391	4,917	4,593
Cash at bank and in hand		2,815	4,028	2,090	3,750
Investments - bank deposit accounts	12	3,132	4,096	2,614	3,084
		<u>11,481</u>	<u>13,865</u>	<u>9,824</u>	<u>11,777</u>
Creditors: amounts falling due within one year	13	<u>(8,184)</u>	<u>(9,310)</u>	<u>(7,744)</u>	<u>(8,994)</u>
Net Current Assets		<u>3,297</u>	<u>4,555</u>	<u>2,080</u>	<u>2,783</u>
Total assets less current liabilities		<u>22,937</u>	<u>25,052</u>	<u>21,152</u>	<u>22,702</u>
Creditors: amounts falling due after more than one year	14	<u>(284)</u>	<u>(216)</u>	<u>(284)</u>	<u>(216)</u>
Net Assets	19	<u>22,653</u>	<u>24,836</u>	<u>20,868</u>	<u>22,486</u>
Funds of the charity					
Endowment funds	16	327	361	327	361
Restricted funds	17	17,637	18,738	17,637	18,738
Unrestricted funds	18	4,689	5,737	2,904	3,387
Total charity funds	19	<u>22,653</u>	<u>24,836</u>	<u>20,868</u>	<u>22,486</u>

These financial statements were approved by the Board on 25 February 2021 and were signed on its behalf by:



Dr Ian Gambles
Chair



Iain Reid
Director

The notes on pages 25 to 44 form part of these financial statements.

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CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020	2019
		£000	£000
Net cash (used in)/provided by operating activities	20	<u>(972)</u>	<u>1,213</u>
Investing activities			
Purchase of tangible fixed assets		(1,088)	(1,148)
Proceeds on disposal of tangible fixed assets		39	7
Bank interest received		49	52
Dividends received		8	8
Capital grants received		15	312
Net cash flow from investing activities		<u>(977)</u>	<u>(769)</u>
Financing activities			
Capital element of hire purchase repayments		(228)	(112)
Net cash flow from financing activities		<u>(228)</u>	<u>(112)</u>
Change in cash and cash equivalents		(2,177)	332
Cash and cash equivalents at start of reporting period	21	<u>8,124</u>	<u>7,792</u>
Cash and cash equivalents at end of reporting period	21	<u><u>5,947</u></u>	<u><u>8,124</u></u>

The notes on pages 25 to 44 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 2020

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 16.

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 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 2019/20 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 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).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

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.

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NOTES TO THE FINANCIAL STATEMENTS
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1 Principal accounting policies (continued)

Fixed asset investments

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

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

Current asset investments

Investments are in relation to fixed term bank deposit accounts.

Investment income

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

Stocks

Stocks are stated at the lower of cost and net 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.

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**NOTES TO THE FINANCIAL STATEMENTS
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1 Principal accounting policies (continued)

Impairment of financial assets

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

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

Derecognition of financial assets

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

Basic financial liabilities

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

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

Classification of financial liabilities

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

Derecognition of financial liabilities

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

Taxation

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

Foreign currencies

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

Research and development expenditure

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

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NOTES TO THE FINANCIAL STATEMENTS
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1 Principal accounting policies (continued)

Finance and operating leases

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

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

Employee benefits

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

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

Post retirement benefits

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

Details of the pension schemes are given in note 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.

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2 Grants received from RESAS

	2020	2019
	£000	£000
Group and Institute		
Opening deferred income	990	422
Grants for current expenditure	21,761	22,172
Grants for capital expenditure	-	1,049
Grants for Tay Cities Deal	750	-
Other Scottish Government grants	(136)	412
	<u>23,365</u>	<u>24,055</u>
Income deferred - Hydro Nation International	-	(103)
- Centre for Plant Health	-	(97)
- SEFARI	-	(40)
- RESAS, Asbestos remedial work	(735)	(750)
	<u>22,630</u>	<u>23,065</u>

All amounts included above are attributable to restricted funds.

3 Income and endowments from charitable activities

	2020	2019
	£000	£000
Group		
RESAS grants for revenue expenditure	21,761	22,172
RESAS grants for capital expenditure	15	299
Grants for Tay Cities Deal	750	-
Other Scottish Government grants	104	594
Grants from MDT for revenue expenditure	526	490
Grants from MDT for capital expenditure	-	13
Other grants and contract income of Institute	7,238	7,057
Other income	1,873	1,951
Total incoming resources from charitable activities	<u>32,267</u>	<u>32,576</u>
Attributable to funds as follows:		
Restricted funds	30,764	31,296
Unrestricted funds	1,503	1,280
	<u>32,267</u>	<u>32,576</u>

Analysis of other income

	2020	2019
	£000	£000
Group and Institute		
Facilities income	226	226
Centre for Knowledge	183	205
Other rental income	43	21
Student fees	16	26
Services	181	197
Farm income	880	781
Other sundry income	344	495
	<u>1,873</u>	<u>1,951</u>

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4 Employee information

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

	2020	2019
	Number	Number
Scientific	392	417
Other	164	161
	<u>556</u>	<u>578</u>
	£000	£000
Employee costs		
Wages and salaries	18,640	18,974
Social security costs	1,591	1,634
Other pension costs	2,747	2,742
Other benefits	911	118
Total direct costs of employment	<u>23,889</u>	<u>23,468</u>

Other benefits represents redundancy and ex-gratia payments paid to 50 employees (2019: 13). 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:

	2020	2019
	£	£
James Curran	30,000	30,000
Joan MacNaughton	12,000	12,000
Stephen Hall	12,000	12,000
Deborah Keith	12,000	12,000
Ian Gambles	2,000	-
	<u>68,000</u>	<u>66,000</u>
The following JHL directors received remuneration of:		
Anne Maccoll Turpin	6,000	6,000
Robin Walker	6,000	6,000
	<u>12,000</u>	<u>12,000</u>
	<u>80,000</u>	<u>78,000</u>

Travel and subsistence expenses of £26,008 (2019: £30,696) were reimbursed to 11 members of the Board (2019: 12 members).

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NOTES TO THE FINANCIAL STATEMENTS
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4 Employee information (cont.)

The remuneration of the highest paid employee during the year was £152,475 (2019: £161,525).

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

2020	2019
£	£
<u>817,999</u>	<u>858,359</u>

The number of key management personnel during the year was 5 full-time and 2 part-time (2019: 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:

	2020	2019
	Number	Number
£60,000 - £69,999	14	20
£70,000 - £79,999	5	5
£80,000 - £89,999	1	-
£90,000 - £99,999	1	2
£100,000 - £109,999	1	1
£110,000 - £119,999	-	-
£120,000 - £129,999	-	-
£130,000 - £139,999	-	-
£140,000 - £149,999	-	-
£150,000 - £159,999	1	-
£160,000 - £169,999	-	1
	<u>23</u>	<u>29</u>

Total pension contributions payable in relation to the above staff in the year amounted to £217,892 (2019 - £284,780).

5 Investment Income

	Group		Institute	
	2020	2019	2020	2019
	£000	£000	£000	£000
Dividends from listed investments	8	8	8	8
Bank interest	49	52	44	42
	<u>57</u>	<u>60</u>	<u>52</u>	<u>50</u>

Attributable to funds as funds as follows:

Endowment funds	8	8	8	8
Unrestricted funds	49	52	44	42
	<u>57</u>	<u>60</u>	<u>52</u>	<u>50</u>

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6 Expenditure

	Group	
	2020	2019
	£000	£000
Expenditure on charitable activities		
Scientific staff costs	15,823	16,131
Support staff costs	5,826	5,026
	<u>21,649</u>	<u>21,157</u>
Scientific consumables	4,949	5,609
PhD fees, stipends and other costs	214	265
Depreciation	2,129	2,214
Impairment	-	241
Support costs	5,160	5,390
Governance costs	76	108
Loss on disposal on tangible fixed assets	-	-
	<u>34,177</u>	<u>34,984</u>
Attributable to funds as follows:		
Restricted funds	32,610	33,727
Unrestricted funds	1,565	1,257
Endowment funds	2	-
	<u>34,177</u>	<u>34,984</u>
Support costs		
Rent and utilities	1,481	1,456
Communications and telephones	96	84
Technical services	534	550
ITS costs	836	855
Library and data manager	419	452
Property maintenance and service and cleaning	741	861
Other	1,647	1,724
	<u>5,754</u>	<u>5,982</u>
Recharged and included in expenditure of trading subsidiaries	(594)	(592)
	<u>5,160</u>	<u>5,390</u>
Governance costs		
	Group	
	2020	2019
	£000	£000
Auditor's remuneration (Institute)		
- audit	23	40
- taxation services	-	-
- other services	-	-
Other governance costs	45	49
	<u>68</u>	<u>89</u>
Auditor's remuneration included in expenditure of trading subsidiaries		
- audit	5	14
- taxation services	3	5
	<u>76</u>	<u>108</u>

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7 Income and expenditure of trading subsidiaries

	Group	
	2020	2019
	£000	£000
Other trading activities	3,479	4,123
Raising funds	(3,769)	(3,264)
Net income before interest	<u>(290)</u>	<u>859</u>

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

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NOTES TO THE FINANCIAL STATEMENTS
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8 Tangible Fixed Assets

Group	Freehold Land and Buildings	Leasehold Improvements	Plant, Machinery and equipment	Motor Vehicles	Total
	£000	£000	£000	£000	£000
Cost					
At beginning of year	17,181	20,136	33,336	1,247	71,900
Additions	-	28	1,459	-	1,487
Disposals	-	(212)	(284)	(66)	(562)
At end of year	<u>17,181</u>	<u>19,952</u>	<u>34,511</u>	<u>1,181</u>	<u>72,825</u>
Depreciation					
At beginning of year	7,584	13,717	29,335	981	51,617
Charge for year	250	811	1,189	45	2,295
Disposals	-	(212)	(278)	(63)	(553)
At end of year	<u>7,834</u>	<u>14,316</u>	<u>30,246</u>	<u>963</u>	<u>53,359</u>
Net book value					
At 31 March 2020	<u>9,347</u>	<u>5,636</u>	<u>4,265</u>	<u>218</u>	<u>19,466</u>
At 31 March 2019	<u>9,597</u>	<u>6,419</u>	<u>4,001</u>	<u>266</u>	<u>20,283</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	20,136	32,106	1,247	70,670
Additions	-	28	1,303	-	1,331
Disposals	-	(212)	(284)	(66)	(562)
At end of year	<u>17,181</u>	<u>19,952</u>	<u>33,125</u>	<u>1,181</u>	<u>71,439</u>
Depreciation					
At beginning of year	7,584	13,717	28,683	981	50,965
Charge for year	250	811	1,023	45	2,129
Disposals	-	(212)	(278)	(63)	(553)
At end of year	<u>7,834</u>	<u>14,316</u>	<u>29,428</u>	<u>963</u>	<u>52,541</u>
Net book value					
At 31 March 2020	<u>9,347</u>	<u>5,636</u>	<u>3,697</u>	<u>218</u>	<u>18,898</u>
At 31 March 2019	<u>9,597</u>	<u>6,419</u>	<u>3,423</u>	<u>266</u>	<u>19,705</u>

Group and Institute

Included within freehold land and buildings is land of £4,616,166 (2019 - £4,616,166) which has not been depreciated.

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8 Tangible Fixed Assets (continued)

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

	2020	2019
	£000	£000
Motor vehicles	224	152
Plant, machinery and equipment	600	370
	824	522
Depreciation charged in year in respect of leased assets	156	60

9 Fixed Asset Investments

	Group		Institute	
	2020	2019	2020	2019
	£000	£000	£000	£000
Listed Investments				
At beginning of year	214	222	214	222
Unrealised (loss)/gain on revaluation	(40)	(8)	(40)	(8)
At end of year	174	214	174	214
Historical cost at 31 March 2020	65	65	65	65

	Group		Institute	
	2020	2019	2020	2019
	£000	£000	£000	£000
Unrealised (loss)/gain on fixed asset investments	(40)	(8)	(40)	(8)
Attributable to funds as follows:				
Endowment funds	(40)	(8)		
Restricted funds	-	-		
	(40)	(8)		

10 Stocks

	Group		Institute	
	2020	2019	2020	2019
	£000	£000	£000	£000
Farm Stock	180	338	180	338
Other	23	12	23	12
	203	350	203	350

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11 Debtors

	Group		Institute	
	2020	2019	2020	2019
	£000	£000	£000	£000
Trade debtors	602	523	-	-
Amounts due from group undertakings	-	-	401	355
Other debtors	1,894	2,802	1,894	2,802
Loan to Associated Company	50	-	-	-
Prepayments and accrued income	964	1,373	814	840
Amounts recoverable on research grants and contracts	1,821	693	1,808	596
	<u>5,331</u>	<u>5,391</u>	<u>4,917</u>	<u>4,593</u>

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

	2020	2019	2020	2019
	£000	£000	£000	£000
Other debtors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

12 Current asset investments

	Group		Institute	
	2020	2019	2020	2019
	£000	£000	£000	£000
Bank deposit accounts	<u>3,132</u>	<u>4,096</u>	<u>2,614</u>	<u>3,084</u>

13 Creditors: amounts falling due within one year

	Group		Institute	
	2020	2019	2020	2019
	£000	£000	£000	£000
Trade creditors	865	685	810	676
Taxation and social security costs	512	604	425	508
Other creditors	381	498	366	484
Accruals and deferred income	2,354	2,604	2,195	2,519
Hire purchase creditors	247	145	247	145
Research grants and contract income received in advance	3,825	4,774	3,701	4,662
	<u>8,184</u>	<u>9,310</u>	<u>7,744</u>	<u>8,994</u>

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14 Creditors: amounts falling due after one year

	Group		Institute	
	2020 £000	2019 £000	2020 £000	2019 £000
Hire purchase and finance lease creditors:-				
within 1 - 2 years	166	135	166	135
within 2 - 5 years	118	81	118	81
	<u>284</u>	<u>216</u>	<u>284</u>	<u>216</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	
	2020 £000	2019 £000	2020 £000	2019 £000
Financial assets measured at fair value through net income / expenditure	<u>174</u>	<u>214</u>	<u>174</u>	<u>214</u>
Financial assets that are debt instruments measured at amortised cost	<u>10,439</u>	<u>12,743</u>	<u>8,867</u>	<u>10,794</u>
Financial liabilities measured at amortised cost	<u>3,019</u>	<u>2,598</u>	<u>2,805</u>	<u>2,504</u>

16 Endowment funds

	Lewis Endowment Fund	
	2020 £000	2019 £000
Income	8	8
Expenditure	<u>(2)</u>	<u>-</u>
	6	8
Unrealised (loss) / gain on revaluation of investments	(40)	(8)
At beginning of year	361	361
At end of year	<u>327</u>	<u>361</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	
	2020	2019
	£000	£000
At beginning of year	18,738	19,805
RESAS grants for capital expenditure	15	299
MDT grants for capital expenditure	-	13
Other grant funding and external contracts	857	1,026
Depreciation	(1,965)	(2,161)
Impairment charge	-	(241)
Disposal of fixed assets	(8)	(3)
At end of year	<u>17,637</u>	<u>18,738</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	
	2020	2019
	£000	£000
At beginning of year	-	-
Income	29,892	29,958
Expenditure	(30,637)	(31,322)
Extraordinary items	-	-
Transfer from unrestricted reserves (Note 18)	745	1,364
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
	2020	2020	2020	2019
	£000	£000	£000	£000
Beginning of year	3,387	2,350	5,737	6,167
Net (expenditure) / income	(19)	(284)	(303)	934
Gift aid distribution to parent company	281	(281)	-	-
Reallocation	-	-	-	-
Transfer to other restricted reserves	(745)	-	(745)	(1,364)
At end of year	<u>2,904</u>	<u>1,785</u>	<u>4,689</u>	<u>5,737</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.

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NOTES TO THE FINANCIAL STATEMENTS
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19 Net assets by fund

Group

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total Funds £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

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

Institute

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total Funds £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

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

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

	2020	2019
	£000	£000
Group		
Net income/(expenditure)	(2,183)	(1,497)
Depreciation	2,295	2,244
Impairment charge	-	241
Capital grants credited to income and expenditure account	(15)	(312)
Dividends and interest received	(57)	(60)
Net loss on fixed assets	9	6
Decrease in stock	147	36
Decrease in debtors	60	1,608
(Decrease) in creditors	(1,228)	(1,053)
Net cash (used in)/provided by operating activities	(972)	1,213

21 Components of cash and cash equivalents

	2020	2019
	£000	£000
Cash at bank and in hand	2,815	4,028
Investments - bank deposit accounts	3,132	4,096
	5,947	8,124

22 Reconciliation of net debt

	At 31 March 2019	Cash flows	New finance leases	Foreign exchange movements	At 31 March 2020
	£000	£000	£000	£000	£000
Cash	4,028	(1,218)	-	5	2,815
Cash equivalents	4,096	(964)	-	-	3,132
Finance lease obligations	(361)	341	(511)	-	(531)
TOTAL	7,763	(1,841)	(511)	5	5,416

23 Capital commitments

At the year end, both the Group and Institute were committed to purchasing tangible fixed assets of £276k (2019 – Group £312k and Institute £217k).

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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 £2,615k (2019 - £2,659k), excluding life cover. Outstanding contributions at 31 March 2020 were £353k (2019 - £383k).

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 2020 the Institute had total future minimum lease payments under non-cancellable operating leases as follows:

	2020 £000	2019 £000
Group and Institute		
Within 1 year	136	219
Between 2 and 5 years	286	449
After more than 5 years	1,218	2,489
	<u>1,640</u>	<u>3,157</u>

26 Reconciliation of movement in reserves

	Group		Institute	
	2020 £000	2019 £000	2020 £000	2019 £000
Opening reserves	24,836	26,333	22,486	24,304
Deficit for the financial year	(2,183)	(1,497)	(1,618)	(1,818)
Closing reserves	<u>22,653</u>	<u>24,836</u>	<u>20,868</u>	<u>22,486</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 2020.

A summary of the trading results is shown below.

	James Hutton Limited	
	2020	2019
	£000	£000
Profit and loss		
Turnover	3,479	4,123
Cost of sales	(2,794)	(2,656)
Gross profit	685	1,467
Administrative expenses	(975)	(671)
Other operating income	-	63
Operating (loss) / profit	(290)	859
Interest receivable	6	10
Taxation	-	-
(Loss) / Profit for financial year	(284)	869
Gift Aid distribution to: parent company	(281)	(548)
(Decrease)/increase to reserves	(565)	321
The assets and liabilities of the subsidiary		
Fixed assets	568	578
Current assets	2,058	2,443
Creditors: amounts falling due with one year	(841)	(671)
Provisions for liabilities	-	-
Total net assets	1,785	2,350
Aggregate share capital and reserves	1,785	2,350

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29 Income

	Group		Institute	
	2020	2019	2020	2019
	£000	£000	£000	£000
Geographical segment:				
United Kingdom	31,565	32,619	30,546	31,145
Rest of Europe	3,377	3,395	2,901	2,603
Rest of World	804	685	352	212
	<u>35,746</u>	<u>36,699</u>	<u>33,799</u>	<u>33,960</u>
Gift aid	-	-	281	548
Gains on fixed asset investments	-	-	-	-
Interest and investment income	57	60	52	50
	<u>35,803</u>	<u>36,759</u>	<u>34,132</u>	<u>34,558</u>

30 Analysis of Other Expenditure

	Group		Institute	
	2020	2019	2020	2019
	£000	£000	£000	£000
Support costs	5,157	5,858	4,875	5,877
Loss on disposal of tangible fixed assets	-	-	-	-
Loss on fixed asset investments	40	8	40	8
Reorganisation costs	895	118	889	115
Fees and stipends	214	265	214	265
Governance costs	76	108	68	89
	<u>6,382</u>	<u>6,357</u>	<u>6,086</u>	<u>6,354</u>

31 Post Balance Sheet Event

The COVID-19 pandemic was escalating globally during the final quarter of the 2019/20 financial year. There was little impact on the Institute within the 2019/20 financial year, with the Institute able to remain fully operational until late March 2020.

The principal impact of COVID-19 on the Institute was in the period immediately following the financial year end, which saw our premises largely closed to staff, except in relation to a limited amount of agreed essential on-site activity, in accordance with Scottish government guidance. The majority of staff were able to transition very quickly to working remotely on a full-time or a part-time basis. Staff unable to undertake their roles remotely were placed on furlough, and the Institute has claimed 'furlough grant' for these staff under the UK government's Coronavirus Job Retention Scheme. The Institute also benefited from the continuation of our funding from RESAS, which has supported those staff able to continue working, and allowed continued delivery against our agreed programme of work for RESAS. This ongoing financial support, coupled with cost savings accruing from the significantly reduced on-site, lab- and field-based research and commercial activity has, in the first months of the 2020/21 financial year, offset the immediate reduction in income.

The Institute does not consider this to be a post balance sheet event requiring any adjustment to the 2019/20 financial statements.