Registered Number: SC374831
Scottish Charity Number: SC041796

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

TRUSTEES' REPORT AND GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

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

TRUSTEES' REPORT AND GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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THE JAMES HUTTON INSTITUTE
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BOARD OF DIRECTORS

Chairman: Mr Ray Perman

Mrs Julia Brown	(resigned 21 January 2015)
Professor Brian Clark	
Dr Laura Meagher	
Mr Alexander Morrison	(resigned 31 May 2014)
Professor Wayne Powell	(resigned 19 November 2014)
Mr Allan Stevenson	
Mr George Thorley	
Professor Alan Werritty	
Dr Ian Gambles	(appointed 16 July 2014)
Dr Deborah Keith	(appointed 15 December 2014)
Dr Stephen Hall	(appointed 21 January 2015)
Professor Ethel Marian Scott	(appointed 18 March 2015)
Ms Joan McNaughton	(appointed 18 March 2015)

Chief Executive: Professor Iain Gordon

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

LEGAL AND ADMINISTRATIVE INFORMATION

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

Charity number: SC041796. Company number: SC374831.

Registered office
The James Hutton Institute
Invergowrie
Dundee
DD2 5DA

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

Solicitors:

Dundas & Wilson LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EN

Thorntons Solicitors
Whitehall House
33 Yeaman Shore
Dundee
DD1 4BJ

Bankers:
Clydesdale Bank
1 Queens Cross
Aberdeen
AB15 4XU

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

TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT

The Directors present their report and the audited financial statements for the year ended 31 March 2015.

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

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

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

The Institute is located in purpose built offices and laboratories in Aberdeen and Dundee. The Institute operates three Research Stations, at Glensaugh in Aberdeenshire, Balruddery in Perthshire and Hartwood in North Lanarkshire. The majority of the buildings and equipment used by the Institute are funded by capital grant from RESAS (Rural & Environment Science & Analytical Services division in the Scottish Government). In Dundee, the Institute operates from land owned by and rented from the Scottish Ministers.

Review of the year
The James Hutton Institute has had many significant scientific successes over the past year reflecting not only the excellence of our science but also how it is being applied to address global challenges for the use of land and natural resources. This year has seen an unprecedented number of scientific breakthroughs, publication of journals, unique global collaborations, newly-formed Partnerships, accreditations and awards for our research.

Our gender mix of staff was as follows: male (50.4%) and female (49.6%). At senior management level our gender mix was male (77%) and female (23%). The proportion of women on the Board has increased from 17% to 36% in line with a deliberate strategy to improve the gender mix. Three of the five appointments to the board in the year were women. The board has adopted a timetable for phased retirements and recruitments to ensure continuity. A matrix of skills and experience has been drawn up to guide new recruitments. We successfully gained an Athena SWAN Bronze Award, recognising our commitment to supporting enhanced representation of women in science, technology, engineering, medicine and maths; one of the first Institutes in the UK to achieve this.

Strategic Report
The James Hutton Institute is a world class organisation delivering evidence-based solutions to the challenges facing the use of land and natural resources. In 2014 we focused upon an audit of our research impact – a panel of external international experts reviewed all of our Research Themes, with very positive results. Next year we will be developing a new Corporate Strategy for the James Hutton Group informed by the reviews of our Science Groups, our Research Themes, our Board, staff and key external stakeholders.

A key driver for the formation of the James Hutton Institute was to create opportunities to increase our external earnings and reduce reliance on Scottish Government research contracts. In 2014/15 the Institute's external earnings totalled £12.7m, a modest increase only on 2013/14 (£12.3m), in part because of the continued austerity across the UK economy, the transition from EU Framework 7 to Horizon 2020 funding streams and the salary reduction programme (see below). We were unable to compensate for the ongoing reduction in our capital grant from Scottish Government to maintain our buildings infrastructure (particularly in Invergowrie) and purchase new scientific equipment to support our world-class science. This is not a viable long-term option and in March 2014 the Board of the Institute agreed to a self-funded voluntary exit scheme in order to 1) reduce the Institute salary bill; 2) create the funds to invest in new skills to meet the needs of future external earnings opportunities; and 3) invest in new capital infrastructure and equipment. This scheme was implemented in 2014/15 and, after absorbing exceptional related costs in 2014/15, will lead to a gross reduction in recurring salary and operating costs of £2.5M, over 11% of budget. These saving should be realised in the coming financial year. The Institute is continuing with its plans to develop the infrastructure plans at our Invergowrie and Aberdeen sites and research stations to create world class research and development facilities.

We are implementing a renewable energy strategy that takes advantage of our facilities and land to reduce the energy costs and carbon footprint of the Institute's activities. This year we invested in solar panels at our Glensaugh Farm, and will do the same at our Invergowrie site. Our plans for a 'Renewable Energy Farm' at Hartwood Farm are being supported through a Fellowship from the Macaulay Development Fund.

TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT (CONTINUED)

During 2014/15 we laid the foundations for the rationalisation of our two commercial subsidiaries (Mylnefield Research Services Ltd and Macaulay Scientific Consulting). Following this rationalisation, James Hutton Ltd (formerly Mylnefield Research Services Limited), launched on 1 April 2015, will generate commercial income from the exploitation of intellectual property developed at the Institute, diversify the funding base and reduce the reliance of the Institute on government funding. The long term resilience of the James Hutton Institute depends on deepening our income streams and we are focusing on our key areas of strength and potential growth. We will be investing in these areas to support capability and capital developments.

The James Hutton Institute is demonstrating the value that science brings to a wide range of individuals, communities, organisations and policymakers. Given the ever-changing global pressures and concerns, we also believe the James Hutton Institute is making a difference and contributing to a more sustainable planet.

Financial Statements
The Board of Directors ('the Board'; 'Board Members') present the report and financial statements for the year ended 31 March 2015, the third year of the merged entity. The statements comprise Group accounts for the James Hutton Institute and its two commercial subsidiaries, Mylnefield Research Services Ltd and Macaulay Scientific Consulting Ltd.

The capital and reserves as reported in the financial statements at 31 March 2015 totalled £30.5m and comprised of:

- Endowment funds - £0.3m
- Restricted funds - £24.2m
- Unrestricted funds - £6.0m

The financial statements have been prepared using merger accounting.

The key features of the financial statements are:

- The group made an operating surplus before depreciation, investment income and exceptional costs of £549k (2014: £1.7m). However, with reduced capital grant funding, this operating surplus is not sufficient to cover depreciation and provide for the Institute's capital replacement needs. The group incurred £3.2m of exceptional costs in relation to the voluntary exit scheme (£2.6m); subsidiaries restructuring (£0.3m); and a prudent provision for a potential grant clawback (£0.2m). After absorbing these costs and depreciation, the group's deficit for the year was £5.2m (2014: £1.2m).

- Incoming resources were £39.5m (2014: £39.2m). Of this £24.9m was received from RESAS (2014: £25.2m). £12.7m came from external contracts with a range of funders, with just under half of this contributed by the commercial subsidiaries, and is an increase of £0.4m on the 2014 external contract income of £12.3m. The balance of £1.9m (2014: £1.6m) includes research station income, tuition fees and bank interest.

- RESAS provided a grant of £0.55m (2014: £0.47m) to fund infrastructure improvements. However, this level of funding is not sufficient to cover the Institute's capital replacement requirements and a further £0.2m (2014: £0.5m) was invested by the Institute to fund the purchase of essential plant and equipment. Successful delivery of the Institute's strategy requires a more significant capital investment plan.

- In addition, Mylnefield Research Services Ltd purchased £26k (2014: £34k) of capital assets funded from its reserves.

- Mylnefield Research Services Ltd had a turnover of £3.93m (2014: £4.38m) and surplus of £0.36m (2014: £0.5m), after absorbing exceptional restructuring costs of £0.3m, out of which it made Gift Aid donation to its parent company of £0.35m (2014: £0.4m).

- Macaulay Scientific Consultancy Ltd had a turnover of £1.9m (2014: £2.2m) and a surplus of £0.32m (2014: £0.46m) out of which it made a Gift Aid donation to its parent company of £0.32m (2014: £0.46m).

TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT (CONTINUED)

Future Look
The commencement of operations of the new institute coincided with the start of the new Scottish Government research programme for 2011-2016. This provided indicative funding for the first five years of the new Institute, although reductions in funding levels from 2012-13 required a focus on generation of income from other sources and on efficiency and cost control. The Institute is currently responding to an Invitation to Tender for Grant Funding for the five years from 2016-17.

The Institute's Corporate Strategy for 2013-17 includes an Income Generation Strategy to support progress of external funding opportunities to reduce our reliance on Scottish Government funding. The translation of our science excellence into products, services and knowledge for industry, stakeholders and governments will be strengthened this coming year with the creation of a single commercial subsidiary of the James Hutton Institute.

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

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

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

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

The Institute is a company limited by guarantee and the liability of members is limited to a maximum of £1 each. Board members are appointed for an initial period of three years. They are members of the Institute and are directors of the company within the meaning of the Companies Act and trustees for the purposes of charitable law. The Chief Executive, whose responsibilities are set out below, is not a director of the company.

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

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

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

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

TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT (CONTINUED)

The Board is responsible for keeping adequate accounting records which disclose, with reasonable accuracy at any time, the financial position of the Institute and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Institute and to prevent and detect fraud and other irregularities.

Board Members' interests
The members who held office throughout the year had no financial interest in the Institute. No contracts exist with the Institute in which a member or director has a material interest, although the Institute has contracts awarded through normal tendering procedures with the Agriculture and Horticulture Development Board, of which Mr A. Stevenson was a director until 31 March 2013.

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

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

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

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

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

The Group's net current assets decreased by £3.3m, compared with 2014 and were £5.1m at 31 March 2015. This represents approximately 2.5 months' current payroll costs which is below the Board's target of having sufficient to fund at least four months' payroll costs with no reliance on bank financing.

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

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

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

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

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

Institute Negotiating and Consultative Committee	Meetings of Union representatives and management, held at least twice per year or more frequently if necessary.
Health, Safety & Welfare Committee	Main safety committee for the Institute as a whole. Sub-committees meet for laboratory, estates, research station, policy and genetic modification issues.
Environmental Committee	Staff led Committee which considers environmental issues, policies and solutions which impact on staff, the Institute and its working environment.
Health and Safety Manual	Issued to all staff on appointment.
James Hutton Institute Newsletter	Published fortnightly.
Staff Bulletin	Circulated by email weekly.
BBSRC Staff Code	Copies available for reference on the Internet and in the various locations within the Institute.
BBSRC Vacancy Notices	Staff vacancies within the BBSRC and SABRI Institutes are placed on Notice Boards and the Institute intranet for information.
Library information	Information on European and UK research initiatives and funding is circulated to staff at least weekly, and information on new library resources is circulated every two months.

In addition, the Institute is developing a comprehensive induction and orientation programme for new members of staff.

All notices, manuals and minutes of the Committee meetings are published on the Institute Intranet.

The Institute recognises Prospect as the Trade Union representing the Institute's staff. The Biotechnology and Biological Sciences Research Council Joint Negotiating and Consultative Committee provides a channel for consultation on a wide range of matters, in addition to the Institute's own Institute Negotiating and Consultative Committee.

Evaluating the Quality of Service
Regular independent peer reviews of programmes of research, knowledge transfer and end user relevance are undertaken by RESAS to evaluate the quantity, relevance and quality of output. All published work from the Institute is refereed internally and that appearing in international journals is also refereed externally. The Institute's analytical facility has United Kingdom Accreditation Scheme (UKAS) 17025 status and the Institute continues to hold the ISO 9001:2008 Quality Assurance standard. Both the UKAS 17025 and ISO 9001 accreditations are externally reviewed annually. The Institute continues to work towards achieving the ISO 14001. The Institute currently holds Investors in People accreditation.

Environmental Policy
As part of the Institute's commitment to sustainable development, it will conduct its activities in such a manner that reduces its impact on the environment. To assist in achieving this commitment, an Environmental Committee oversees all relevant environmental matters and reports to the bi-monthly Senior Managers' Meetings. The Committee monitors relevant aspects of the Institute's activities and recommends such changes as are deemed necessary to achieve a smaller environmental footprint, including an energy and waste management strategy which attempts to minimise emissions to the environment and ensures that the standards set by all relevant legislation is either complied with or exceeded.

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

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

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

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

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

The Committee is also responsible for reviewing annual budgets, monitoring key performance indicators, considering the management accounts on a quarterly basis and advising on financial matters such as treasury management and capital investment. It oversees the production of the Group financial statements, including review of significant reporting issues and judgements, and recommends approval to the Board.

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

Corporate Governance

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

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

Whilst the Board is ultimately responsible for the Institute's system of internal control and risk management, the Chief Executive has responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, whilst safeguarding the public funds and assets provided to the Institute by RESAS.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 March 2015 and up to the date of approval of the annual report and accounts.

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

- the senior managers of the Institute meet monthly to consider the plans and strategic direction of the Institute;
- periodic reports from the Chair of the Audit & Finance Committee concerning internal control;
- regular reports by internal auditors which include their independent opinion on the adequacy and effectiveness of the systems of internal control, together with recommendations for improvement;
- regular reports from managers and Committees, with responsibility for specific areas and services, on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects;
- comments made by the external auditors in their management letters and other reports;
- implementation of a system of quality control throughout the Institute and the subsidiaries to the standards specified under the quality standard ISO9001:2008;
- procedures and policies to ensure the application of good scientific practice, as required by the Research Councils;
- establishment of key performance and risk indicators and reports thereon;
- preparation of Business Plans, which are approved by the Board, along with regular financial reports and forecasts to the Board and senior managers;
- maintenance of an organisation-wide risk register;
- the development of a business continuity plan.

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

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

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

Statement of disclosure to auditor
Board Members confirm that:

a) so far as they are aware, there is no relevant audit information of which the company's auditors are unaware, and

b) they have taken all the steps they ought to have taken as Board Members in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of the information.

On behalf of the Board of Directors

Mr Ray Perman
Chairman

R J Perman.

22 - 7 - 2015

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

We have audited the financial statements of The James Hutton Institute on pages 13 to 36 for the year ended 31 March 2015. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Institute's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the Institute's members and its Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Institute and the Institute's members as a body and its Trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Board Members and auditor
As explained more fully in the Board Members' Responsibilities statement set out on page 5, the Board Members (who are the directors of the charitable company for the purposes of company law and trustees for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

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

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2015 and of the group's and parent charitable company's incoming resources and application of resources, including the group's and the parent charitable company's income and expenditure, for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

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

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Trustees' Report, incorporating the Strategic Report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

Chartered Accountants
Statutory Auditor

29 Albyn Place
Aberdeen
AB10 1YL

Date : 30 July 2015

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

THE JAMES HUTTON INSTITUTE
(Limited by Guarantee, Not Having A Share Capital)
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 MARCH 2015

	Note	Unrestricted Funds	Restricted Funds	Endowment Funds	Total Funds 2015	Total Funds 2014
Incoming resources:		£000	£000	£000	£000	£000
Incoming resources from generated funds						
Trading income from subsidiaries		5,884	-	-	5,884	6,604
Investment income	5	77	-	7	84	79
Incoming resources from charitable activities - normal	3	1,714	32,045	-	33,759	32,532
Incoming resources from charitable activities - exceptional	6a	-	(252)	-	(252)	
Total incoming resources		7,675	31,793	7	39,475	39,215
Resources expended:						
Cost of generating funds						
Expenditure of trading subsidiaries - normal		4,869	-	-	4,869	5,627
Expenditure of trading subsidiaries - exceptional	6a	346		-	346	-
Charitable Activities						
Activities in furtherance of charitable objectives - normal	6	2,002	34,789	-	36,791	34,650
Activities in furtherance of charitable objectives - exceptional	6a	2,633			2,633	-
Governance costs	6	6	105	-	111	132
Taxation - trading subsidiaries		-	-	-	-	-
Total resources expended		9,856	34,894	-	44,750	40,409
Net incoming/(outgoing) resources before transfers		(2,181)	(3,101)	7	(5,275)	(1,194)
Transfers between funds		(1,199)	1,199	-	-	-
Net incoming/(outgoing) resources before other recognised gains and losses		(3,380)	(1,902)	7	(5,275)	(1,194)
Other recognised gains and losses:						
Realised gains on sales of fixed assets		97	-	-	97	5
Unrealised surplus on investment revaluations	9	-	-	19	19	11
Net movement in funds		(3,283)	(1,902)	26	(5,159)	(1,178)
Balances at 1 April 2014	26	9,270	26,081	267	35,618	36,796
Balance at 31 March 2015		5,987	24,179	293	30,459	35,618

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

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

The Institute has not presented its own Statement of Financial Activities as information regarding net income and net movement in funds for the financial year can be obtained from pages 14 to 16.

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

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2015

		Group		Institute	
	Note	**2015**	2014	**2015**	2014
		£000	£000	**£000**	£000
Income:					
Grants from RESAS	2	**24,910**	25,166	**24,910**	25,166
Research grants and contracts		**6,867**	5,732	**6,867**	5,732
Exceptional grant clawback	6a	**(252)**	-	**(252)**	-
Other grants		**268**	48	**268**	48
Intercompany charges		**-**	-	**3,101**	4,007
Gift aid receivable			-	**667**	855
Other income	3	**1,714**	1,586	**1,714**	1,586
Trading income from subsidiaries		**5,884**	6,604	**-**	-
		39,391	39,136	**37,275**	37,394
Expenditure:					
Staff costs		**25,672**	25,024	**24,487**	23,977
Scientific consumables		**6,194**	5,731	**5,850**	5,473
Depreciation	7	**2,677**	2,979	**2,639**	2,937
Other costs	30	**7,228**	6,675	**7,027**	6,402
Exceptional costs	6a	**2,979**	-	**2,633**	-
		44,750	40,409	**42,636**	38,789
Operating deficit		**(5,359)**	(1,273)	**(5,361)**	(1,395)
Gain on sales of assets and investments		**97**	5	**97**	5
Investment write down	9	**-**	-	**(100)**	-
Investment income	5	**84**	79	**75**	66
Deficit before taxation		**(5,178)**	(1,189)	**(5,289)**	(1,324)
Taxation	15	**-**	-	**-**	-
Deficit for the financial year		**(5,178)**	(1,189)	**(5,289)**	(1,324)

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

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

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2015

		Group		Institute	
	Note	**2015 £000**	2014 £000	**2015 £000**	2014 £000
Deficit for the financial year		**(5,178)**	(1,189)	**(5,289)**	(1,324)
Unrealised surplus on revaluation of investments during year	9	**19**	11	**19**	11
Total recognised gains and losses relating to the year		**(5,159)**	(1,178)	**(5,270)**	(1,313)

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

BALANCE SHEETS
FOR THE YEAR ENDED 31 MARCH 2015

		Group		Institute	
	Note	**2015 £000**	2014 £000	**2015 £000**	2014 £000
Fixed Assets:					
Tangible assets	7	**25,258**	27,172	**25,191**	27,093
Intangible assets	8	**-**	-	**-**	-
Investments	9	**171**	152	**171**	252
		25,429	27,324	**25,362**	27,345
Current Assets:					
Stocks	10	**447**	506	**444**	500
Debtors	11	**4,081**	6,149	**4,282**	5,065
Cash at bank and in hand		**6,215**	5,345	**3,800**	3,357
Investments - bank deposit accounts	12	**3,270**	5,540	**3,270**	5,540
		14,013	17,540	**11,796**	14,462
Creditors: amounts falling due within one year	13	**(8,882)**	(9,069)	**(7,787)**	(7,089)
Net Current Assets		**5,131**	8,471	**4,009**	7,373
Total assets less current liabilities		**30,560**	35,795	**29,371**	34,718
Creditors: amounts falling due after more than one year	14	**(101)**	(177)	**(101)**	(177)
Provision for liabilities and charges	15	**-**	-	**-**	-
Net Assets	19	**30,459**	35,618	**29,270**	34,541
Capital and reserves					
Endowment funds	16	**293**	267	**293**	267
Restricted funds	17	**24,179**	26,081	**24,179**	26,081
Unrestricted funds	18	**5,987**	9,270	**4,798**	8,193
	19	**30,459**	35,618	**29,270**	34,541

These financial statements were approved by the Board of Governors on 22 JULY 2015 and were signed on its behalf by:

R. J. Perman

Mr Ray Perman
Chairman

Allan Stevenson

Mr Allan Stevenson
Director

Company Registration No. SC374831

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

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2015

	Note	**2015**	2014
		£000	£000
Net cash (outflow)/inflow from operating activities	20	**(1,581)**	2,591
Returns on investments and servicing of finance			
Bank interest received		**77**	70
Dividends received		**7**	9
Net cash inflow from returns on investment and servicing of finance		**84**	79
Taxation		**-**	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(789)**	(997)
Proceeds on disposal of tangible fixed assets		**123**	15
Capital grants received		**763**	963
Net cash outflow from capital expenditure and financial investment		**97**	(19)
Cash (outflow)/inflow before financing		**(1,400)**	2,651
Financing		**-**	-
(Decrease)/increase in cash in the year	21,22	**(1,400)**	2,651

1 Principal accounting policies

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

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

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

Basis of consolidation
The group financial statements consolidate the accounts of the Institute and its commercial subsidiaries, James Hutton Limited (JHL) (formerly Mylnefield Research Services Limited) and Macaulay Scientific Consulting Limited (MSC).

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

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

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

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

1 Principal accounting policies (continued)

Intangible fixed assets
Acquired goodwill is capitalised and amortised over its estimated useful economic life.

Tangible fixed assets and depreciation
Tangible fixed assets are stated at cost less depreciation.

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

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

No depreciation is provided on heritable land.

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

Listed investments are stated at market value.

Current asset investments
Investments are in relation to fixed term bank deposit accounts.

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

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

Fund accounting
Funds held by the Institute are classified as:

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

1 Principal accounting policies (continued)

Taxation

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

Foreign currencies

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

Research and development expenditure

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

Finance and operating leases

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

Post retirement benefits

Institute staff participate in the Research Councils Pension Scheme (RCPS. Administration of the scheme is carried out by the Joint Superannuation Service (JSS) of the National Environment Research Council (NERC).

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

Admission to the RCPS defined benefit scheme ceased in the current year and new employees are instead offered admission to a defined contribution scheme.

Details of the above schemes are given in note 24.

2 Grants received from RESAS

	2015 £000	2014 £000
Group and Institute		
Opening deferred income	**376**	-
Grants for current expenditure	**24,198**	24,579
Grants for capital expenditure	**549**	963
Other Scottish Government grants	**97**	-
	25,220	25,542
Income deferred - Centre of Expertise for Water	**(229)**	(376)
- Other	**(81)**	-
	24,910	25,166

3 Incoming resources from charitable activities

	2015 £000	2014 £000
Group		
RESAS grants for revenue expenditure	**24,264**	24,203
RESAS grants for capital expenditure	**549**	963
Other Scottish Government grants	**97**	-
Grants from MDT	**268**	48
Other grants and contract income of Institute	**6,867**	5,732
Other income	**1,714**	1,586
Total incoming resources from charitable activities	**33,759**	32,532

Analysis of Other Income

Group and Institute	2015 £000	2014 £000
Facilities income	**246**	200
Other rental income	**31**	20
Management fees	**-**	17
Student fees	**96**	9
Services	**372**	329
Farm income	**699**	737
Other sundry income	**270**	274
	1,714	1,586

4 Employee information

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

	2015 Number	2014 Number
Scientific	**469**	475
Other	**157**	155
	626	630

	£000	£000
Employee costs		
Wages and salaries	**19,510**	18,666
Social security costs	**1,526**	1,500
Other pension costs	**4,577**	4,536
Total direct costs of employment	**25,613**	24,702

The above total direct costs of employment do not include exceptional voluntary exit costs which are disclosed in note 6a.

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

	2015 £	2014 £
Ray Perman	**30,000**	30,000
Allan Stevenson	**12,000**	12,000
George Thorley	**12,000**	12,000
Brian Clark	**12,000**	12,000
	66,000	66,000

The total cost to the Institute of remunerating the Board was £70,320 (2014 - £70,320) which includes irrecoverable VAT on invoiced services.

Travel and subsistence expenses of £6,240 (2014: £6,000) were re-imbursed to 7 members of the Board (2014: 7 members).

The remuneration of the highest paid employee during the year was £155,525 (2014: £145,500) excluding contributions towards superannuation.

4 Employee information (cont.)

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

	2015 Number	2014 Number
£60,000 - £69,999	**16**	13
£70,000 - £79,999	**-**	2
£80,000 - £89,999	**-**	1
£90,000 - £99,999	**1**	3
£100,000 - £109,999	**4**	-
£110,000 - £119,999	**-**	-
£120,000 - £129,999	**-**	-
£130,000 - £139,999	**-**	-
£140,000 - £149,999	**-**	1
£150,000 - £159,999	**1**	-
	22	20

The above employees are members of either the Research Councils Pension Scheme (RCPS) or a Group Personal Pension Scheme (see note 24). Total contributions accrued to the schemes in relation to these staff in the year amounted to £438,765 (2014 - £333,00).

5 Investment Income

	Group		**Institute**	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Dividends from listed investments	**7**	9	**7**	9
Bank interest	**77**	70	**68**	57
	84	79	**75**	66

6 Resources Expended

	Group	
	2015	2014
Activities in furtherance of charitable objectives	**£000**	£000
Scientific staff costs	**16,260**	16,509
Support staff costs	**6,979**	5,906
	23,239	22,415
Scientific consumables	**5,304**	4,725
Fees and stipends	**652**	464
Depreciation	**2,639**	2,937
Support costs	**4,957**	4,109
	36,791	34,650
Support costs		
Rent and utilities	**1,416**	1,627
Communications and telephones	**214**	200
Technical services	**558**	399
ITS costs	**497**	419
Library and data manager	**471**	432
Property maintenance and service and cleaning	**769**	592
Business development	**6**	29
Other	**2,333**	2,108
	6,264	5,806
Recharged and included in expenditure of trading subsidiaries	**(1,307)**	(1,697)
	4,957	4,109

Governance costs	Group	
	2015	2014
	£000	£000
Auditors' remuneration (Institute)		
- audit	**29**	24
- taxation services	**4**	4
- other services	**42**	52
Other governance costs	**36**	52
	111	132
Auditors' remuneration included in expenditure of trading subsidiaries		
- audit	**11**	9
- taxation services	**2**	1
	124	142

6a Exceptional costs

The Group has incurred the following exceptional costs which are also referred to on page 4 of the Trustees Report.

	Group	
	2015	2014
	£000	£000
Grant clawback provision	**252**	-
Institute voluntary exit costs	**2,633**	-
Subsidiaries restructuring costs	**346**	-
	3,231	-

7 Tangible Fixed Assets

Group

	Land and buildings £000	Plant, machinery and equipment £000	Motor Vehicles £000	Total £000
Cost				
At beginning of year	36,943	31,009	1,221	69,173
Additions	130	654	5	789
Disposals	(65)	(148)	(10)	(223)
At end of year	37,008	31,515	1,216	69,739
Depreciation				
At beginning of year	15,929	25,134	938	42,001
Charge for year	1,060	1,519	98	2,677
Disposals	(41)	(148)	(8)	(197)
At end of year	16,948	26,505	1,028	44,481
Net book value				
At 31 March 2015	**20,060**	**5,010**	**188**	**25,258**
At 31 March 2014	21,014	5,875	283	27,172

Institute

	Land and buildings £000	Plant, machinery and equipment £000	Motor Vehicles £000	Total £000
Cost				
At beginning of year	36,943	30,425	1,221	68,589
Additions	130	628	5	763
Disposals	(65)	(148)	(10)	(223)
At end of year	37,008	30,905	1,216	69,129
Depreciation				
At beginning of year	15,929	24,629	938	41,496
Charge for year	1,060	1,481	98	2,639
Disposals	(41)	(148)	(8)	(197)
At end of year	16,948	25,962	1,028	43,938
Net book value				
At 31 March 2015	**20,060**	**4,943**	**188**	**25,191**
At 31 March 2014	21,014	5,796	283	27,093

Group and Institute

Included within heritable land and buildings is land of £4,616,166 (2014 - £4,616,166) which has not been depreciated.

8 Intangible fixed assets

Group	Goodwill £000
Cost	
At 1 April 2014 and 31 March 2015	106
Amortisation	
At 1 April 2014	106
Charge for year	-
At 31 March 2015	106
Net book value	
At 31 March 2015	-
At 31 March 2014	-

9 Fixed asset investments

	Group		Institute	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Investments listed on a recognised: Stock Exchange	**171**	152	**171**	152
Investment in subsidiary undertakings:				
Cost	**-**	-	**100**	100
Write down	**-**	-	**(100)**	-
	-	-	**-**	100
	171	152	**171**	252
Listed investments				
At beginning of year	**152**	141	**152**	141
Unrealised surplus on revaluation	**19**	11	**19**	11
At end of year	**171**	152	**171**	152
Historical cost at 31 March 2015	**65**	65	**65**	65

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

As the trade, assets and certain liabilities of Macaulay Scientific Consulting Limited (MSC) have been transferred to James Hutton Limited (JHL) the Institute has written off its investment in MSC.

10 Stocks

	Group		Institute	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Farm Stock	**432**	474	**432**	474
Other	**15**	32	**12**	26
	447	506	**444**	500

11 Debtors

	Group		Institute	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Trade debtors	**1,136**	1,093	**-**	-
Amounts due from group undertakings	**-**	-	**1,650**	1,320
Other debtors	**1,211**	1,544	**1,211**	1,544
Prepayments and accrued income	**657**	989	**594**	939
Amounts recoverable on research grants and contracts	**1,077**	2,523	**827**	1,262
	4,081	6,149	**4,282**	5,065

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

	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Other debtors	**101**	177	**101**	177

12 Current asset investments

	Group		Institute	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Bank deposit accounts	**3,270**	5,540	**3,270**	5,540

13 Creditors: amounts falling due within one year

	Group		Institute	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Trade creditors	**754**	881	**752**	829
Taxation and social security costs	**594**	622	**463**	517
Other creditors	**456**	278	**456**	232
Amounts due to group undertakings	**-**	-	**55**	200
Accruals and deferred income	**1,503**	863	**1,210**	682
Research grants and contract income received in advance	**5,575**	6,425	**4,851**	4,629
	8,882	9,069	**7,787**	7,089

14 Creditors: amounts falling due after one year

	Group		Institute	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Accruals due:-				
within 1 - 2 years	**101**	150	**101**	150
within 2 - 5 years	**-**	27	**-**	27
after more than 5 years	**-**	-	**-**	-
	101	177	**101**	177

15 Provisions for liabilities

	2015	2014
	£000	£000
Deferred taxation in respect of:		
Accelerated capital allowances	**-**	-

16 Endowment funds

	Lewis Endowment Fund £000
Income	7
Expenditure	-
	7
Unrealised gain on revaluation of investments	19
At beginning of year	267
At end of year	**293**

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".

17 Restricted funds

(a) Restricted capital reserves

	Group £000	Institute £000
At beginning of year	26,081	26,081
RESAS grants utilised for capital expenditure	728	728
MDT grants for capital expenditure	35	35
Depreciation	(2,639)	(2,639)
Disposal of fixed assets	(26)	(26)
At end of year	**24,179**	**24,179**

(b) Other restricted reserves

At beginning of year	-	-
Income	31,030	31,030
Expenditure	(32,229)	(32,229)
Transfer from unrestricted reserves (Note 18)	1,199	1,199
At end of year	**-**	**-**

18 Unrestricted funds

	Institute £000	Group £000	JHL (attributable to Group) £000	MSC (attributable to Group) £000	Group £000
Beginning of year	8,193	(106)	1,183	-	9,270
(Deficit)/surplus before gift aid and gains on disposal	(2,860)		362	317	(2,181)
Gift aid	667	-	(350)	(317)	-
Net incoming resources	(2,193)	-	12	-	(2,181)
Gains on disposal	97	-	-	-	97
Investment write down	(100)	100	-	-	-
Transfer to other restricted reserves	(1,199)	-	-	-	(1,199)
At end of year	4,798	(6)	1,195	-	5,987

A transfer to other restricted reserves has been made in respect of core expenditure not covered by RESAS grants, other grants and external contract income.

19 Net assets by fund

Group

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total Funds £000
At 31 March 2015				
Fixed assets	1,079	24,179	171	**25,429**
Current assets	13,891	-	122	**14,013**
Total creditors	(8,983)	-	-	**(8,983)**
Net assets	**5,987**	**24,179**	**293**	**30,459**
At 31 March 2014				
Fixed assets	1,091	26,081	152	**27,324**
Current assets	17,425	-	115	**17,540**
Total creditors	(9,246)	-	-	**(9,246)**
Net assets	**9,270**	**26,081**	**267**	**35,618**

Institute

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total Funds £000
At 31 March 2015				
Fixed assets	1,012	24,179	171	**25,362**
Current assets	11,674	-	122	**11,796**
Total creditors	(7,888)	-	-	**(7,888)**
Net assets	**4,798**	**24,179**	**293**	**29,270**
At 31 March 2014				
Fixed assets	1,112	26,081	152	**27,345**
Current assets	14,347	-	115	**14,462**
Total creditors	(7,266)	-	-	**(7,266)**
Net assets	**8,193**	**26,081**	**267**	**34,541**

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

	2015	2014
	£000	£000
Group		
Operating deficit for the financial year	**(5,359)**	(1,273)
Depreciation	**2,677**	2,979
Capital grants credited to income and expenditure account	**(763)**	(963)
Decrease in stock	**59**	17
Decrease in debtors	**2,068**	639
(Decrease)/increase in creditors	**(263)**	1,192
Net cash (outflow)/inflow from operating activities	**(1,581)**	2,591

21 Analysis of changes in net funds

	At 31 March 2014 £000	**Cash flows £000**	**At 31 March 2015 £000**
Cash at bank	5,345	870	**6,215**
Cash held in fixed term deposit accounts	5,540	(2,270)	**3,270**
Total movement in net funds	10,885	(1,400)	9,485

22 Reconciliation of net cash flow to movement in net funds

	2015	2014
	£000	£000
(Decrease)/Increase in cash in the year	**(1,400)**	2,651
Movement in funds in year	**(1,400)**	2,651
Net funds at beginning of year	**10,885**	8,234
Net funds at end of year	**9,485**	10,885

23 Capital commitments

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

24 Pension Scheme

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. The details of these schemes are given below and further information is available from the Civil Service Pension site at www.civilservice-pensions.gov.uk. The Nuvos and Partnership schemes are open to all new staff, while the Classic and Premium schemes are only available to staff who had joined those schemes prior to October 2002 and July 2007 respectively. The RCPS schemes, other than the Partnership scheme, are by analogy to the Principal Civil Service Pension Schemes (PCSPS), which are unfunded, with the benefits secured against future tax yields.
The Nuvos scheme is a defined benefits scheme under which 26% of pensionable earnings contribute to the pension for each year of membership. Employee contributions range from 3.5% to 8.85% of salary.
The Partnership scheme is a defined contributions scheme and is a stakeholder pension. The employer pays defined contributions into the pension fund and the employee is able to choose which pension provider to use and whether to make contributions. Current pension providers are Scottish Widows and Standard Life. At 31 March 2015, there were 3 staff members who were contributing to the Partnership scheme.

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

The Premium scheme is a defined benefits scheme paying a pension based on 1/60th of final pensionable pay for each year of reckonable service. Part of the pension can be commuted to a lump sum. Employee contributions are 3.5% to 8.85% of salary. This scheme was closed to new entrants from 29 July 2007.

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

The contributions remitted to JSS were £5,510,785 in the year (2014 - £5,491,124). There were no outstanding contributions at 31 March 2015 or 2014.

Staff joining the Institute after 1 September 2014 are eligible to join a group personal pension scheme. The Institute contributes 13% of salary, and employees make contributions of 4% to 8 % on a salary sacrifice basis. The assets of the scheme are invested with an insurance company and are held separately from those of the Institute. Contributions are charged to the Income and Expenditure Account as they fall due. During the year contributions payable amounted to £29,303 (20014 - £nil). There were no outstanding contributions at 31 March 2015 or 2014.

James Hutton Limited operates for its employees a group personal pension arrangement. Benefits are accumulated on a money purchase basis and contributions are defined as a percentage of basic annual salary. The assets of the schemes, which are invested with an insurance company, are held separately from those of the subsidiary. Contributions payable by the subsidiary are charged to the profit and loss account as they fall due. During the year contributions payable amounted to £161,273 (2014 - £145,329). There were no outstanding contributions at 31 March 2015 or 2014.

25 Operating lease obligations

	2015		2014	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Group and Institute				
Operating leases which expire:				
Within 1 year	**-**	**5**	-	21
Between two and five years	**-**	**102**	-	41
After more than five years	**182**	**-**	179	-
	182	**107**	179	62

26 Reconciliation of movement in capital and reserves

	Group		**Institute**	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Opening capital and reserves	**35,618**	36,796	**34,541**	35,854
Deficit for the financial year	**(5,178)**	(1,189)	**(5,289)**	(1,324)
Other net gains	**19**	11	**19**	11
Decrease in year	**(5,159)**	(1,178)	**(5,270)**	(1,313)
Closing capital and reserves	**30,459**	35,618	**29,271**	34,541

27 Related party transactions

The company has taken advantage of the exemption from the requirement to disclose transactions with other group companies which are 100% owned by the James Hutton Institute in accordance with Financial Reporting Standard 8.

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. The principal activity of JHL is technology transfer and the commercial exploitation of the scientific expertise and products of the James Hutton Institute.

The Institute also holds 100% of the issued ordinary share capital (10,000 ordinary shares of £1 each) of Macaulay Scientific Consulting Limited (MSC), a company incorporated in the United Kingdom and registered in Scotland. The principal activity of MSC is to provide a range of consultancy and commercial services. On 31 March 2015, the trade, assets and certain liabilities of MSC were transferred to JHL which now operates as the sole commercial subsidiary of the Institute.

Both companies pay a substantial part of available profits as gift aid to the Institute.

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

		James Hutton Limited		Macaulay Scientific Consulting Limited	
		2015	2014	**2015**	2014
		£000	£000	**£000**	£000
Profit and loss					
Turnover		**3,927**	4,380	**1,957**	2,224
Cost of sales		**(2,575)**	(3,238)	**(1,622)**	(1,721)
Gross profit		**1,352**	1,142	**335**	503
Administrative expenses:	normal	**(676)**	(619)	**(18)**	(48)
	exceptional	**(346)**	-	**-**	-
Other operating income		**23**	-	**-**	-
Operating profit		**353**	523	**317**	455
Interest receivable		**9**	13	**-**	-
Taxation		**-**	-	**-**	-
Profit on ordinary activities after tax		**362**	536	**317**	455
Gift Aid payments:	parent company	**(350)**	(400)	**(317)**	(455)
	to Trust	**-**	-	**-**	-
Profit for the year		**12**	136	**-**	-
The assets and liabilities of the subsidiary					
Fixed assets		**67**	79	**-**	-
Current assets		**3,868**	3,882	**311**	715
Creditors: amounts falling due with one year		**(2,772)**	(2,810)	**(317)**	(721)
Provisions for liabilities		**-**	-	**-**	-
Total net assets		**1,163**	1,151	**(6)**	(6)
Aggregate share capital and reserves		**1,163**	1,151	**(6)**	(6)

29 Income

	Group		Institute	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Geographical segment:				
United Kingdom	**26,443**	26,449	**25,626**	25,577
Rest of Europe	**10,569**	10,205	**9,884**	9,866
Rest of World	**2,379**	2,482	**1,098**	1,096
	39,391	39,136	**36,608**	36,539
Gift aid	**-**	-	**667**	855
	39,391	39,136	**37,275**	37,394

30 Analysis of Other Expenditure

	Group		Institute	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Support costs	**6,452**	6,069	**6,264**	5,806
Fees and stipends	**652**	464	**652**	464
Governance costs	**124**	142	**111**	132
	7,228	6,675	**7,027**	6,402