

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 2016**

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

**TRUSTEES' REPORT AND GROUP FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

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**THE JAMES HUTTON INSTITUTE**  
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**BOARD OF DIRECTORS**

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**Chairman:** Mr Ray Perman

Professor Brian Clark

Dr Laura Meagher

Mr Allan Stevenson

Mr George Thorley

Professor Alan Werritty

Dr Ian Gambles

Dr Deborah Keith

Dr Stephen Hall

Ms Joan MacNaughton

Professor Ethel Marian Scott

Professor James Curran

(appointed 14 August 2015)

**Chief Executive:** Professor Colin Campbell

(appointed Interim September 2015;  
permanent 23 February 2016)

**THE JAMES HUTTON INSTITUTE**  
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**LEGAL AND ADMINISTRATIVE INFORMATION**

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**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**

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The Directors present their report and the audited financial statements for the year ended 31 March 2016.

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, Glensaugh and Hartwood, 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 further significant scientific breakthroughs, publication of journals, unique global collaborations, newly-formed Partnerships, especially in China and India, accreditations and awards for our research. This has also been the first year of operation for our new commercial subsidiary, James Hutton Limited (JHL), which has performed well in difficult circumstances and returned above its profit target. JHL is a commercial subsidiary converting the Institute's IP into commercial outcomes but also is a vehicle for enhancing our professional services across the whole group and new frameworks and practices are being put in place that will benefit the whole group

Our gender mix of staff was as follows: male (47%) and female (53%). At senior management level our gender mix was male (71%) and female (29%). This was a 6% increase in females at senior management level. The proportion of women on the Board was increased last year to 33.3% in line with a deliberate strategy to improve the gender mix. Three out of five appointments last year were women and the Board has agreed to 50:50 by 2020. 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 maintained 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 2015 we developed a new Corporate Plan 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 2015/16 the Institute's external earnings after extraordinary clawback provisions totalled £12.4m, which maintained similar earnings to 2014/15 (£12.7m), in part because of the continued austerity across the UK economy and the preparation of a bid for a 5 year grant from RESAS. Staff costs are down from £25.6m to £24.4m as a result of savings from our voluntary exit scheme last year. We were unable to fully compensate for the reduction in our capital grant from Scottish Government from £3.1m to £0.5m in the five year period 2011 – 2016 to maintain our buildings infrastructure (particularly in Invergowrie) and purchase new scientific equipment to support our world-class science. Obtaining additional capital funds will be challenging but the Board is reviewing its capital funding plans and we are looking at other resources for capital funding and considering borrowing where appropriate. Further savings of £1m have been achieved relative to the last financial year and with no exceptional costs, our deficit has been reduced from £5.1m to £0.6m. The Institute is continuing with its plans to develop the Infrastructure at our Invergowrie and Aberdeen sites and research stations to create world class research and development facilities.

# **THE JAMES HUTTON INSTITUTE**

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## **TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT (CONTINUED)**

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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. Last year we invested in solar panels at our Glensaugh Farm, and this year we invested in solar panels at our Invergowrie site. Our plans for a 'Renewable Energy Farm' at Hartwood Farm are being supported through a Fellowship from the Macaulay Development Trust.

From 1 April 2015 James Hutton Limited (formerly Mylnefield Research Services Limited) encompassed the work of Macaulay Scientific Consulting Limited. This subsidiary 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 increasing 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 world.

### **Financial Statements**

The Board of Directors ('the Board'; 'Board Members') presents the report and financial statements for the year ended 31 March 2016. The statements comprise Group accounts for The James Hutton Institute, its commercial subsidiary, James Hutton Limited and its non-trading subsidiary, Macaulay Scientific Consulting Limited.

The capital and reserves as reported in the financial statements at 31 March 2016 totalled £29.1m and comprised of:

- Endowment funds - £0.3m
- Restricted funds - £22.6m
- Unrestricted funds - £6.2m

The financial statements have been prepared using merger accounting.

The key features of the financial statements are:

- The group made an operating surplus before depreciation and extraordinary items of £2.0m (2015: £0.8m). However, with reduced capital grant funding, this operating surplus is not sufficient to fully cover depreciation and provide for the Institute's capital replacement needs. After depreciation and extraordinary items, the group's deficit for the year was £0.6m (2015: £5.1m).
- Total income after extraordinary clawback provisions of £128k (2015: £252k) was £39m (2015: £39.6m). Core RESAS funding reduced from £24.8m in 2015 to £24.5m in 2016. After adjustments for opening and closing deferred income and the inclusion of £149k of other grants (2015: £97k) total RESAS income recognised in the accounts was £25m (2015: £24.9m).
- Within the above RESAS funding is a capital grant of £0.5m (2015: £0.55m) to fund infrastructure improvements. However, this level of funding is not sufficient to cover the Institute's capital replacement requirements and a further £0.4m (2015: £0.2m) 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.
- Income from Institute contracts with a range of external funders increased from £6.9m in 2015 to £7.5m in 2016. Other income of the Institute includes research station income, tuition fees and bank interest and was £1.6m (2015: £1.7m).
- James Hutton Limited had a turnover of £4.9m (2015: combined turnover of commercial subsidiaries £5.9m) and surplus of £0.9m (2015: combined surplus of commercial subsidiaries £0.7m), out of which it made a Gift Aid donation to its parent company of £0.9m (2015: combined gift aid from commercial subsidiaries £0.7m).

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## **TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT (CONTINUED)**

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### **Future Look**

The commencement of operations of the 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 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 responded to an invitation to Tender for Grant Funding for the five years from 2016-17. The Institute received grant funding for 2016-17 of £23.2m with bids to RESAS for the years 2017-2021. RESAS have confirmed they will provide grant funding for 2017-18.

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. A new Corporate Plan for 2016-2021 has been approved and highlights several initiatives that will boost income and especially capital investment in the years ahead.

### **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. They also undertake Health and Safety training.

### **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 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 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 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 2015 (FRS 102);
- make judgements and estimates that are reasonable and prudent;

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## **TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT (CONTINUED)**

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- state whether applicable UK accounting standards have been followed, subject to any material departures that are disclosed and explained in the financial statements;
- ensure that the statements have been prepared on a going concern basis, unless it is inappropriate to assume that the Institute will continue in operation.

The Board is responsible for keeping adequate accounting records which disclose, with reasonable accuracy at any time, the financial position of the Institute and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They 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.

### **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 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**

The Board and the Executive have reviewed our Reserves Policy and taking account of liabilities and unrestricted reserves, the Board have decided that they will plan to maintain a minimal unrestricted reserve of £6m. This year our unrestricted reserves at the end of March 2016 are £6.2m and compliant with our Reserves Policy.

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



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## **TRUSTEES REPORT, INCORPORATING THE STRATEGIC REPORT (CONTINUED)**

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### **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 income and expenditure account. Funds are also held in short to long term deposit accounts to achieve a higher interest rate for its cash reserves.

### **Risks relating to the Current Economic Climate**

The Institute is monitoring the recent implications of Brexit and the impact on the volatility of the euro. The Institute has a large number of external contracts funded from the EU with payment in euros. This uncertainty for the immediate and short term future is being closely monitored to avoid any negative impact on our foreign currency risk and future EU funding.

### **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.
Intranet Site "Connect"	Updated daily with news, staff information, Blogs and updates
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 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.

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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. The Biotechnology and Biological Sciences Research Council Joint Negotiating and Consultative Committee provide 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.

### **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. A standing initiative called "Sustainable Hutton" has been established with a dedicated sustainability officer (0.5FTE), an executive and board champion and group of volunteer staff to undertake specific projects aimed at increasing our corporate sustainability and responsibility.

### **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 mainly operates within the provisions of the Biotechnology and Biological Sciences Research Council (BBSRC) Staff Code under which many of the Institute staff are employed. The Committee reviews the remuneration of the CEO, Directors of the Group and Bands PC1 and PC2 of the BBSRC salary bands. The committee also reviews the performance of these employees and Board members. The committee is responsible for advising the Board on the remuneration of non-Executive Directors, Chairs of Committees and Directors' pay.

The BBSRC has undertaken a review of senior staff's salaries with regard to benchmarking.

### **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.

### **Advisory Committee on Science**

The Advisory on Science (ACS) reports on a regular basis to the Institute's Board on the quality and range of the science being conducted in the Institute. The ACS assists the Chief Executive in organising a regular assessment of the science programmes and satisfying the Institute's Board on the methods and frequency of assessment.

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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 2016 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;

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- 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

Date: 21 September 2016

# **THE JAMES HUTTON INSTITUTE**

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

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We have audited the financial statements of The James Hutton Institute on pages 13 to 38 for the year ended 31 March 2016. 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), including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

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 2016 and of the group's and parent charitable company's incoming resources and application of resources, including the group's and the parent charitable company's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

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

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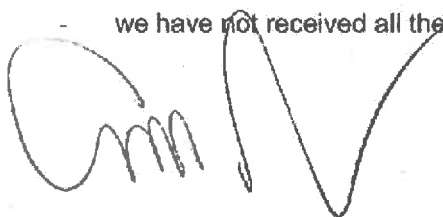
### Opinion on other matter prescribed by the Companies Act 2006

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

Bishop's Court  
29 Albyn Place  
Aberdeen  
AB10 1YL

Date: 11 October 2016

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 2016**

	Note	Unrestricted Funds	Restricted Funds	Endowment Funds	Total Funds 2016	Total Funds 2015
		£000	£000	£000	£000	£000
<b>Income and endowments from:</b>						
Other trading activities	7	4,920	-	-	4,920	5,884
Investments	5	78	-	7	85	84
Charitable activities	3	1,659	32,519	-	34,178	33,759
<b>Total income and endowments</b>		<b>6,657</b>	<b>32,519</b>	<b>7</b>	<b>39,183</b>	<b>39,727</b>
<b>Expenditure on:</b>						
Raising funds	7	3,911	-	-	3,911	4,869
Charitable Activities	6	2,077	33,645	-	35,722	36,866
<b>Total expenditure</b>		<b>5,988</b>	<b>33,645</b>	<b>-</b>	<b>39,633</b>	<b>41,735</b>
Net gains / (losses) on fixed assets	9	-	(3)	(7)	(10)	116
<b>Net income/(expenditure)</b>		<b>669</b>	<b>(1,129)</b>	<b>-</b>	<b>(460)</b>	<b>(1,892)</b>
Extraordinary items	6a	-	(128)	-	(128)	(3,231)
Transfers between funds		350	(350)	-	-	-
<b>Net movement in funds</b>		<b>1,019</b>	<b>(1,607)</b>	<b>-</b>	<b>(588)</b>	<b>(5,123)</b>
Balances at 1 April 2015	25	5,263	24,179	293	29,735	34,858
<b>Balance at 31 March 2016</b>		<b>6,282</b>	<b>22,572</b>	<b>293</b>	<b>29,147</b>	<b>29,735</b>

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 15.

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

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

**INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDED 31 MARCH 2016**

		Group		Institute	
	Note	2016 £000	2015 £000	2016 £000	2015 £000
<b>Income:</b>					
Grants from RESAS	2	24,981	24,910	24,981	24,910
Research grants and contracts		7,538	6,867	7,538	6,867
Extraordinary grant clawback	6a	(128)	(252)	(128)	(252)
Other grants		-	268	-	268
Intercompany charges		-	-	1,908	3,101
Gift aid receivable		-	-	849	667
Other income	3	1,659	1,714	1,659	1,714
Trading income from subsidiaries		4,920	5,884	-	-
Gains/ (losses) on fixed assets		(10)	116	(10)	16
Interest and investment income	5	85	84	75	75
<b>Gross income</b>		<b>39,045</b>	<b>39,591</b>	<b>36,872</b>	<b>37,366</b>
<b>Expenditure:</b>					
Staff costs		24,712	25,636	23,512	24,451
Scientific consumables		6,467	6,194	5,816	5,850
Depreciation	8	2,495	2,677	2,465	2,639
Other costs	29	5,959	7,228	5,843	7,027
Extraordinary costs	6a	-	2,979	-	2,633
<b>Total expenditure</b>		<b>39,633</b>	<b>44,714</b>	<b>37,636</b>	<b>42,600</b>
<b>Net income/ (expenditure) before tax</b>		<b>(588)</b>	<b>(5,123)</b>	<b>(764)</b>	<b>(5,234)</b>
Tax payable		-	-	-	-
<b>Net Income/ (expenditure)</b>		<b>(588)</b>	<b>(5,123)</b>	<b>(764)</b>	<b>(5,234)</b>

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)

**BALANCE SHEETS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

		Group		Institute	
	Note	2016 £000	2015 £000	2016 £000	2015 £000
<b>Fixed Assets:</b>					
Tangible assets	8	23,651	25,258	23,589	25,191
Investments	9	164	171	164	171
		<u>23,815</u>	<u>25,429</u>	<u>23,753</u>	<u>25,362</u>
<b>Current Assets:</b>					
Stocks	10	478	447	478	444
Debtors	11	4,137	4,081	4,140	4,282
Cash at bank and in hand		3,936	6,215	1,486	3,800
Investments - bank deposit accounts	12	5,807	3,270	5,807	3,270
		<u>14,358</u>	<u>14,013</u>	<u>11,911</u>	<u>11,796</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(8,992)</u>	<u>(9,606)</u>	<u>(7,828)</u>	<u>(8,491)</u>
<b>Net Current Assets</b>		<u>5,366</u>	<u>4,407</u>	<u>4,083</u>	<u>3,305</u>
<b>Total assets less current liabilities</b>		<b>29,181</b>	<b>29,836</b>	<b>27,836</b>	<b>28,667</b>
<b>Creditors: amounts falling due after more than one year</b>	14	<b>(34)</b>	<b>(101)</b>	<b>(34)</b>	<b>(101)</b>
<b>Provision for liabilities and charges</b>	16	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>	19	<u><b>29,147</b></u>	<u><b>29,735</b></u>	<u><b>27,802</b></u>	<u><b>28,566</b></u>
<b>Funds of the charity</b>					
Endowment funds	16	293	293	293	293
Restricted funds	17	22,572	24,179	22,572	24,179
Unrestricted funds	18	6,282	5,263	4,937	4,094
<b>Total charity funds</b>	19	<u><b>29,147</b></u>	<u><b>29,735</b></u>	<u><b>27,802</b></u>	<u><b>28,566</b></u>

These financial statements were approved by the Board of Governors on 21 September 2016 and were signed on its behalf by:



Mr Ray Perman  
Chairman



Mr Allan Stevenson  
Director

Company Registration No. SC374831

**THE JAMES HUTTON INSTITUTE**  
**(Limited by Guarantee, Not Having A Share Capital)**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2016**

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	Note	2016 £000	2015 £000
<b>Net cash provided by/(used in) operating activities</b>	20	<u>203</u>	<u>(1,581)</u>
<b>Investing activities</b>			
Purchase of tangible fixed assets		(891)	(789)
Proceeds on disposal of tangible fixed assets		-	123
Bank interest received		78	77
Dividends received		7	7
Capital grants received		861	763
<b>Net cash flow from investing activities</b>		<u>55</u>	<u>181</u>
<b>Change in cash and cash equivalents</b>		<u>258</u>	<u>(1,400)</u>
Cash and cash equivalents at start of reporting period	21	<u>9,485</u>	<u>10,885</u>
Cash and cash equivalents at end of reporting period	21	<u><u>9,743</u></u>	<u><u>9,485</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

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**1 Principal accounting policies**

**Company information**

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

**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" ("FRS 102"), "Accounting and Reporting by Charities", the Statement of Recommended Practice for charities applying FRS 102, the Companies Act 2006 and UK Generally Accepted Accounting Practice as it applies from 1 January 2015. 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.

These financial statements for the year ended 31 March 2016 are the first financial statements of The James Hutton Institute prepared in accordance with SORP (FRS 102). The date of transition was 1 April 2014. The effect on transition in respect of reported financial position and financial performance for the previous period are explained within note 30.

**Going concern**

At the time of approving the accounts, the Board has a reasonable expectation that the Institute has adequate resources to continue in operational existence for the foreseeable future. The Institute has received confirmation of grant funding for 2016/17 of £23.2m. It has bids for the next four years with Scottish Government, has been awarded funding in principle for 2017/18 and is awaiting detailed funding confirmation. The Board has considered sensitised financial forecasts, which take account of uncertainties in future funding, and are satisfied that it is appropriate to continue to prepare the financial statements on the going concern basis.

**Basis of consolidation**

The group financial statements consolidate the accounts of the Institute and its commercial subsidiaries, James Hutton Limited (JHL) 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 unless the Institute has not satisfied the conditions of entitlement before the end of the reporting period.

**THE JAMES HUTTON INSTITUTE**  
**(Limited by Guarantee, Not Having A Share Capital)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

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**1 Principal accounting policies (continued)**

**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 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.

**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.

**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.

**THE JAMES HUTTON INSTITUTE**  
**(Limited by Guarantee, Not Having A Share Capital)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

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**1 Principal accounting policies (continued)**

**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 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.

**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.

**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).

**THE JAMES HUTTON INSTITUTE**  
**(Limited by Guarantee, Not Having A Share Capital)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

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**1 Principal accounting policies (continued)**

***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 receipts 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 for 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.

***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.

**THE JAMES HUTTON INSTITUTE**  
**(Limited by Guarantee, Not Having A Share Capital)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

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**1 Principal accounting policies (continued)**

**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**

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 Institute therefore accounts for these schemes as if they were defined contribution schemes.

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

Details of the above schemes are given in note 23.

**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.
- Management must also consider whether there has been any impairment of fixed assets.

**THE JAMES HUTTON INSTITUTE**  
**(Limited by Guarantee, Not Having A Share Capital)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**2 Grants received from RESAS**

	2016 £000	2015 £000
<b>Group and Institute</b>		
Opening deferred income	310	376
Grants for current expenditure	24,043	24,198
Grants for capital expenditure	499	549
Other Scottish Government grants	149	97
	<u>25,001</u>	<u>25,220</u>
Income deferred - Centre of Expertise for Water	-	(229)
- Other	(20)	(81)
	<u>24,981</u>	<u>24,910</u>

All amounts included above are attributable to restricted funds.

**3 Income and endowments from charitable activities**

	2016 £000	2015 £000
<b>Group</b>		
RESAS grants for revenue expenditure	24,353	24,264
RESAS grants for capital expenditure	499	549
Other Scottish Government grants	129	97
Grants from MDT	604	268
Other grants and contract income of Institute	6,934	6,867
Other income	1,659	1,714
Total incoming resources from charitable activities	<u>34,178</u>	<u>33,759</u>
<b>Attributable to funds as follows:</b>		
Restricted funds	32,519	32,045
Unrestricted funds	1,659	1,714
	<u>34,178</u>	<u>33,759</u>

**Analysis of Other Income**

	2016 £000	2015 £000
<b>Group and Institute</b>		
Facilities income	226	246
Other rental income	11	31
Student fees	93	96
Services	267	372
Farm income	626	699
Other sundry income	436	270
	<u>1,659</u>	<u>1,714</u>



**THE JAMES HUTTON INSTITUTE**  
**(Limited by Guarantee, Not Having A Share Capital)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**4 Employee information**

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

	2016 Number	2015 Number
Scientific	432	469
Other	154	157
	<u>586</u>	<u>626</u>
	£000	£000
Employee costs		
Wages and salaries	18,643	19,510
Social security costs	1,468	1,526
Other pension costs	4,269	4,577
<b>Total direct costs of employment</b>	<u><b>24,380</b></u>	<u><b>25,613</b></u>

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

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

	2016 £	2015 £
Ray Perman	30,000	30,000
Allan Stevenson	24,000	12,000
George Thorley	11,741	12,000
Brian Clark	12,000	12,000
	<u>77,741</u>	<u>66,000</u>

The total cost to the Institute of remunerating the Board was £83,939 (2015 - £70,320) which includes irrecoverable VAT on invoiced services.

Travel and subsistence expenses of £7,658 (2015: £6,240) were re-imbursed to 10 members of the Board (2015: 7 members).

The remuneration of the highest paid employee during the year was £118,325 (2015: £155,525) excluding contributions towards superannuation. The reduction reflects the fact that the CEO position was held by an interim for part of the year ended 31 March 2016.

Key management personnel received remuneration for their services as follows:

	2016 £	2015 £
Key management personnel	<u>553,006</u>	<u>1,134,304</u>

The number of key management personnel during the year was 4 full-time and 2 for part year (2015: 6).

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**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:

	2016 Number	2015 Number
£60,000 - £69,999	20	16
£70,000 - £79,999	2	-
£80,000 - £89,999	1	-
£90,000 - £99,999	-	1
£100,000 - £109,999	-	4
£110,000 - £119,999	3	-
£120,000 - £129,999	-	-
£130,000 - £139,999	-	-
£140,000 - £149,999	-	-
£150,000 - £159,999	-	1
	<u>26</u>	<u>22</u>

The above employees are members of either the Research Councils Pension Scheme (RCPS) or a Group Personal Pension Scheme (see note 23). Total contributions accrued to the schemes in relation to these staff in the year amounted to £469,281 (2015 - £438,765).

**5 Investment Income**

	Group		Institute	
	2016 £000	2015 £000	2016 £000	2015 £000
Dividends from listed investments	7	7	7	7
Bank interest	78	77	68	68
	<u>85</u>	<u>84</u>	<u>75</u>	<u>75</u>
<b>Attributable to funds as follows:</b>				
Endowment funds	7	7	7	7
Unrestricted funds	78	77	68	68
	<u>85</u>	<u>84</u>	<u>75</u>	<u>75</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 201625

**THE JAMES HUTTON INSTITUTE**  
**(Limited by Guarantee, Not Having A Share Capital)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

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**6a Extraordinary costs**

The Group has incurred the following extraordinary costs.

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Grant clawback provision	128	252
Institute voluntary exit costs	-	2,633
Subsidiaries restructuring costs	-	346
	<u>128</u>	<u>3,231</u>
<b>Attributable to funds as follows:</b>		
Restricted funds	128	252
Unrestricted funds	-	2,979
	<u>128</u>	<u>3,231</u>

**7 Income and expenditure of trading subsidiaries**

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Other trading activities	4,920	5,884
Raising funds	(3,911)	(4,869)
Net income before extraordinary items and interest	<u>1,009</u>	<u>1,015</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**8 Tangible Fixed Assets**

<b>Group</b>	<b>Freehold Land and buildings £000</b>	<b>Plant, machinery and equipment £000</b>	<b>Motor Vehicles £000</b>	<b>Total £000</b>
<b>Cost</b>				
At beginning of year	37,008	31,515	1,216	69,739
Additions	172	699	20	891
Disposals	-	(739)	(6)	(745)
At end of year	<u>37,180</u>	<u>31,475</u>	<u>1,230</u>	<u>69,885</u>
<b>Depreciation</b>				
At beginning of year	16,948	26,505	1,028	44,481
Charge for year	1,068	1,381	46	2,495
Disposals	-	(738)	(4)	(742)
At end of year	<u>18,016</u>	<u>27,148</u>	<u>1,070</u>	<u>46,234</u>
<b>Net book value</b>				
<b>At 31 March 2016</b>	<u><b>19,164</b></u>	<u><b>4,327</b></u>	<u><b>160</b></u>	<u><b>23,651</b></u>
At 31 March 2015	<u>20,060</u>	<u>5,010</u>	<u>188</u>	<u>25,258</u>
<b>Institute</b>				
	<b>Freehold Land and buildings £000</b>	<b>Plant, machinery and equipment £000</b>	<b>Motor Vehicles £000</b>	<b>Total £000</b>
<b>Cost</b>				
At beginning of year	37,008	30,905	1,216	69,129
Additions	172	674	20	866
Disposals	-	(739)	(6)	(745)
At end of year	<u>37,180</u>	<u>30,840</u>	<u>1,230</u>	<u>69,250</u>
<b>Depreciation</b>				
At beginning of year	16,948	25,962	1,028	43,938
Charge for year	1,068	1,351	46	2,465
Disposals	-	(738)	(4)	(742)
At end of year	<u>18,016</u>	<u>26,575</u>	<u>1,070</u>	<u>45,661</u>
<b>Net book value</b>				
<b>At 31 March 2016</b>	<u><b>19,164</b></u>	<u><b>4,265</b></u>	<u><b>160</b></u>	<u><b>23,589</b></u>
At 31 March 2015	<u>20,060</u>	<u>4,943</u>	<u>188</u>	<u>25,191</u>

**Group and Institute**

Included within heritable land and buildings is land of £4,616,166 (2015 - £4,616,166) which has not been depreciated.

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9 Fixed asset investments	Group		Institute	
	2016 £000	2015 £000	2016 £000	2015 £000
Investments listed on a recognised Stock Exchange	164	171	164	171
Investment in subsidiary undertakings:				
Cost	-	-	-	100
Write down	-	-	-	(100)
	<u>164</u>	<u>171</u>	<u>164</u>	<u>171</u>
<b>Listed investments</b>				
At beginning of year	171	152	171	152
Unrealised (loss)/gain on revaluation	(7)	19	(7)	19
At end of year	<u>164</u>	<u>171</u>	<u>164</u>	<u>171</u>
Historical cost at 31 March 2015	<u>65</u>	<u>65</u>	<u>65</u>	<u>65</u>

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) were transferred to James Hutton Limited (JHL) on 31 March 2015 the Institute wrote off its investment in MSC in the prior period.

	Group		Institute	
	2016 £000	2015 £000	2016 £000	2015 £000
Unrealised (loss)/gain on revaluation of fixed asset investments	(7)	19	(7)	19
Investment write down	-	-	-	(100)
(Loss)/gain on disposal of tangible fixed asset	(3)	97	(3)	97
	<u>(10)</u>	<u>116</u>	<u>(10)</u>	<u>16</u>
Attributable to funds as follows:				
Restricted funds	(3)	97		
Endowment funds	(7)	19		
	<u>(10)</u>	<u>116</u>		

10 Stocks	Group		Institute	
	2016 £000	2015 £000	2016 £000	2015 £000
Farm Stock	465	432	465	432
Other	13	15	13	12
	<u>478</u>	<u>447</u>	<u>478</u>	<u>444</u>

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**11 Debtors**

	Group		Institute	
	2016	2015	2016	2015
	£000	£000	£000	£000
Trade debtors	731	1,136	-	-
Amounts due from group undertakings	-	-	1,186	1,650
Other debtors	1,573	1,211	1,572	1,211
Prepayments and accrued income	1,043	657	937	594
Amounts recoverable on research grants and contracts	790	1,077	445	827
	<u>4,137</u>	<u>4,081</u>	<u>4,140</u>	<u>4,282</u>

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

	2016	2015	2016	2015
	£000	£000	£000	£000
Other debtors	<u>34</u>	<u>101</u>	<u>34</u>	<u>101</u>

**12 Current asset investments**

	Group		Institute	
	2016	2015	2016	2015
	£000	£000	£000	£000
Bank deposit accounts	<u>5,807</u>	<u>3,270</u>	<u>5,807</u>	<u>3,270</u>

**13 Creditors: amounts falling due within one year**

	Group		Institute	
	2016	2015	2016	2015
	£000	£000	£000	£000
Trade creditors	1,778	754	1,634	752
Taxation and social security costs	771	594	746	463
Other creditors	617	456	648	456
Amounts due to group undertakings	-	-	6	55
Accruals and deferred income	1,791	2,227	1,726	1,914
Research grants and contract income received in advance	4,035	5,575	3,068	4,851
	<u>8,992</u>	<u>9,606</u>	<u>7,828</u>	<u>8,491</u>

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**14 Creditors: amounts falling due after one year**

	<b>Group</b>		<b>Institute</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Accruals due:-				
within 1 - 2 years	34	101	34	101
within 2 - 5 years	-	-	-	-
after more than 5 years	-	-	-	-
	<u>34</u>	<u>101</u>	<u>34</u>	<u>101</u>

**15 Financial instruments**

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

	<b>Group</b>		<b>Institute</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Financial assets measured at fair value through net income / expenditure	<u>164</u>	<u>171</u>	<u>164</u>	<u>171</u>
Financial assets that are debt instruments measured at amortised costs	<u>12,985</u>	<u>12,923</u>	<u>10,644</u>	<u>10,772</u>
Financial liabilities measured at amortised cost	<u>2,799</u>	<u>2,436</u>	<u>2,627</u>	<u>2,142</u>

**16 Endowment funds**

	<b>Lewis Endowment Fund</b>
	<b>£000</b>
Income	7
Expenditure	<u>-</u>
	7
Unrealised loss on revaluation of investments	(7)
At beginning of year	293
<b>At end of year</b>	<u><b>293</b></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**

	<b>Group £000</b>	<b>Institute £000</b>
(a) Restricted capital reserves		
At beginning of year	24,179	24,179
RESAS grants for capital expenditure	499	499
Other grants utilised for capital expenditure	362	362
Depreciation	(2,465)	(2,465)
Disposal of fixed assets	(3)	(3)
<b>At end of year</b>	<b>22,572</b>	<b>22,572</b>
(b) Other restricted reserves		
At beginning of year	-	-
Income	31,658	31,658
Expenditure	(31,180)	(31,180)
Extraordinary items	(128)	(128)
Transfer to unrestricted reserves (Note 18)	(350)	(350)
<b>At end of year</b>	<b>-</b>	<b>-</b>

**18 Unrestricted funds**

	<b>Institute £000</b>	<b>JHL (attributable to Group) £000</b>	<b>MSC £000</b>	<b>Group £000</b>
Beginning of year	4,094	1,175	(6)	5,263
(Deficit)/surplus before gift aid	(356)	1,019	6	669
Gift aid	849	(849)	-	-
Net income / (expenditure)	493	170	6	669
Transfer from other restricted reserves	350	-	-	350
<b>At end of year</b>	<b>4,937</b>	<b>1,345</b>	<b>-</b>	<b>6,282</b>

A transfer from other restricted reserves has been made in respect of the surplus for the year (2015 - deficit £(1,199)).

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**19 Net assets by fund**

**Group**

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total Funds £000
<b>At 31 March 2016</b>				
Fixed assets	1,079	22,572	164	23,815
Current assets	14,229	-	129	14,358
Total creditors	(9,026)	-	-	(9,026)
<b>Net assets</b>	<b>6,282</b>	<b>22,572</b>	<b>293</b>	<b>29,147</b>
<b>At 31 March 2015</b>				
Fixed assets	1,079	24,179	171	25,429
Current assets	13,891	-	122	14,013
Total creditors	(9,707)	-	-	(9,707)
<b>Net assets</b>	<b>5,263</b>	<b>24,179</b>	<b>293</b>	<b>29,735</b>

**Institute**

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total Funds £000
<b>At 31 March 2016</b>				
Fixed assets	1,017	22,572	164	23,753
Current assets	11,782	-	129	11,911
Total creditors	(7,862)	-	-	(7,862)
<b>Net assets</b>	<b>4,937</b>	<b>22,572</b>	<b>293</b>	<b>27,802</b>
<b>At 31 March 2015</b>				
Fixed assets	1,012	24,179	171	25,362
Current assets	11,674	-	122	11,796
Total creditors	(8,592)	-	-	(8,592)
<b>Net assets</b>	<b>4,094</b>	<b>24,179</b>	<b>293</b>	<b>28,566</b>

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

	2016 £000	2015 £000
<b>Group</b>		
Net income/ (expenditure)	(460)	(1,892)
Exceptional costs	(128)	(3,231)
Depreciation	2,495	2,677
Capital grants credited to income and expenditure account	(861)	(763)
Dividends and interest received	(85)	(84)
Net gain/loss on fixed assets	10	(116)
(Increase)/decrease in stock	(31)	59
Decrease in debtors	(56)	2,068
(Decrease)/increase in creditors	(681)	(299)
<b>Net cash provided by/(used in) operating activities</b>	<b>203</b>	<b>(1,581)</b>

**21 Components of cash and cash equivalents**

Cash at bank and in hand	3,936	6,215
Investments - bank deposit accounts	5,807	3,270
	<b>9,743</b>	<b>9,485</b>

**22 Capital commitments**

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

**23 Pension Scheme**

The James Hutton Institute currently has 3 main pension schemes in operation:

1. Research Councils Pensions Scheme (RCPS) administered by the Joint Superannuation Service (JSS) which closed for new members at the end of August 2014.
2. The AEGON (SIPP) scheme which is open for staff employed from September 2014 who has a contract greater than 12 months.
3. The UK Government's National Employment Savings Trust (NEST) scheme, which is JHI's Auto Enrolment scheme, is open for staff with contracts less than 12 months but has a postponement period of 3 months from their start date.

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**23 Pension Scheme (continued)**

**RCPS (JSS) Schemes**

Scheme Name	Membership Eligible Dates	Employee Contribution	Employer Contribution
Classic	Prior to October 2002	3.00% to 8.05%	26%
Classic Plus	Closed August 2014	4.60% to 8.05%	26%
Nuvos	Closed August 2014	4.60% to 8.05%	26%
Premium	Prior to July 2002	4.60% to 8.05%	26%

(Employee Contributions percentage is based on Employee's Actual Pensionable Earnings)

The full contributions remitted to JSS for 2015-2016 was £4,875,709 (2014-2015 was £5,510,785), with £97,738 still outstanding at 31<sup>st</sup> March 2016.

Scheme Name	Membership Eligible Dates	Employee Contribution	Employer Contribution
Partnership	Closed August 2014	Voluntary (EEs paying 1%)	14.75%

(Employee Contributions are voluntary with Employer's Contributions being age related)

The full contributions remitted to Standard Life (for Partnership Pension) for 2015-2016 was £8,195.58 (2014-2015 was £9,274.53), with no contributions outstanding at 31<sup>st</sup> March 2016.

**AEGON (SIPP) Scheme**

Scheme Name	Membership Eligible Dates	Employee Contribution	Employer Contribution
AEGON (SIPP)	From September 2014	4.00% to 8.00%	13%

(Employee Contributions percentage is based on Employee's Hutton Salary Grade)

The full contributions remitted to AEGON for 2015-2016 was £209,798 (2014-2015 was £29,303), with no contributions outstanding at 31<sup>st</sup> March 2016.

**NEST Scheme**

Scheme Name	Membership Eligible Dates	Employee Contribution	Employer Contribution
NEST	July 2013	1%	1%

(Employee Contributions are set by NEST- calculated on earnings above the NI LEL rate, £486pm)

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**23 Pension Scheme (continued)**

The full contributions remitted to NEST for 2015-2016 was £5,140.58 (2014-2015 was £5,279.87), with no contributions outstanding at 31<sup>st</sup> March 2016.

**James Hutton Limited**

James Hutton Limited operates one pension scheme which as from 1<sup>st</sup> October 2015 is operated by AEGON (previously Friends Life). The JHL AEGON scheme is linked to the Institute's and is formerly called The James Hutton Group. Due to their Terms & Conditions, Employee's contributions are voluntary, whilst the Employer contributions remain 13% for most employees.

The full contributions remitted to Friends Life and AEGON for 2015-2016 was £175,474 (2014-2015 was £157,906), with no contributions outstanding at 31<sup>st</sup> March 2016.

**24 Operating lease obligations**

At 31 March 2016 the Institute had total future minimum lease payments under non-cancellable operating leases as follows:

	2016 £000	2015 £000
<b>Group and Institute</b>		
Within 1 year	224	174
Between two and five years	578	497
After more than five years	2,763	2,855
	<u>3,565</u>	<u>3,526</u>

**25 Reconciliation of movement in reserves**

	Group		Institute	
	2016 £000	2015 £000	2016 £000	2015 £000
Opening reserves	29,735	34,858	28,566	33,801
Deficit for the financial year	(588)	(5,123)	(764)	(5,235)
Decrease in year	<u>(588)</u>	<u>(5,123)</u>	<u>(764)</u>	<u>(5,235)</u>
Closing reserves	<u>29,147</u>	<u>29,735</u>	<u>27,802</u>	<u>28,566</u>

**26 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.331A.

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**27 Commercial trading operations and the investment in trading subsidiaries**

The Institute holds 100% of the issued ordinary share capital (2 ordinary shares of £1 each) of 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.

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. 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.

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

A summary of the trading results is shown below.

		<b>James Hutton Limited</b>		<b>Macaulay Scientific Consulting Limited</b>	
		<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Profit and loss</b>					
Turnover		<b>4,920</b>	<b>3,927</b>	-	<b>1,957</b>
Cost of sales		<b>(3,330)</b>	<b>(2,576)</b>	-	<b>(1,622)</b>
Gross profit		<b>1,590</b>	<b>1,351</b>	-	<b>335</b>
Administrative expenses:	normal	<b>(719)</b>	<b>(675)</b>	-	<b>(18)</b>
	exceptional	-	<b>(346)</b>	-	-
Other operating income		<b>138</b>	<b>23</b>	<b>6</b>	-
Operating profit		<b>1,009</b>	<b>353</b>	<b>6</b>	<b>317</b>
Interest receivable		<b>10</b>	<b>9</b>	-	-
Taxation		-	-	-	-
Profit on ordinary activities after tax		<b>1,019</b>	<b>362</b>	<b>6</b>	<b>317</b>
Gift Aid payments:	parent company	<b>(849)</b>	<b>(350)</b>	-	<b>(317)</b>
Profit for the year		<b>170</b>	<b>12</b>	<b>6</b>	-
The assets and liabilities of the subsidiary					
Fixed assets		<b>62</b>	<b>67</b>	-	-
Current assets		<b>3,638</b>	<b>3,868</b>	-	<b>311</b>
Creditors: amounts falling due with one year		<b>(2,387)</b>	<b>(2,792)</b>	-	<b>(317)</b>
Provisions for liabilities		-	-	-	-
Total net assets		<b>1,313</b>	<b>1,143</b>	-	<b>(6)</b>
Aggregate share capital and reserves		<b>1,313</b>	<b>1,143</b>	-	<b>(6)</b>

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**28 Income**

	<b>Group</b>		<b>Institute</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Geographical segment:				
United Kingdom	34,367	26,443	32,866	25,626
Rest of Europe	3,262	10,569	2,651	9,884
Rest of World	1,341	2,379	441	1,098
	<u>38,970</u>	<u>39,391</u>	<u>35,958</u>	<u>36,608</u>
Gift aid	-	-	849	667
Gains/ (losses) on fixed assets	(10)	116	(10)	16
Interest and investment income	85	84	75	75
	<u>39,045</u>	<u>39,591</u>	<u>36,872</u>	<u>37,366</u>

**29 Analysis of Other Expenditure**

	<b>Group</b>		<b>Institute</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Support costs	5,526	6,452	5,419	6,264
Fees and stipends	342	652	342	652
Governance costs	91	124	82	111
	<u>5,959</u>	<u>7,228</u>	<u>5,843</u>	<u>7,027</u>

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**30 Explanation of transition to FRS 102**

This is the first year that the Institute has presented its financial statements under FRS 102 issued by the Financial Reporting Council. The last financial statements under previous UK financial reporting framework were for the year ended 31 March 2015 and the date of transition to FRS 102 was therefore 1st April 2014.

<b>Reconciliation of funds at 1 April 2014</b>	<b>£000</b>
<b>Funds at 1 April 2014 under previous SORP</b>	35,618
Holiday pay accrual	(760)
<b>Funds at 1 April 2014 under FRS 102</b>	<u><u>34,858</u></u>

**Reconciliation of funds at 31 March 2015**

<b>Funds at 31 March 2015 under previous SORP</b>	30,459
Holiday pay accrual	(724)
<b>Funds at 31 March 2015 under FRS 102</b>	<u><u>29,735</u></u>

**Reconciliation of surplus for the year ended 31 March 2015**

<b>Deficit for the year ended 31 March 2015 under previous SORP</b>	(5,159)
Holiday pay accrual movement	36
<b>Deficit for the year ended 31 March 2015 under FRS 102</b>	<u><u>(5,123)</u></u>

**Notes to reconciliation on adoption of FRS 102 and the Charities SORP (FRS 102)**

**Holiday pay accrual**

Under FRS 102, the cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.