

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 2018**

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

**TRUSTEES' REPORT AND GROUP FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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

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**Chairman:** Professor James Curran

Dr Ian Gambles  
Dr Deborah Keith  
Dr Stephen Hall  
Ms Joan MacNaughton  
Professor Ethel Marian Scott  
Professor Andrew Millar  
Mr Iain Reid  
Mr Archibald Gibson  
Ms Susan Davies (appointed 3 April 2017)  
Mr George Lawrie (appointed 3 April 2017)  
Professor Alyson Tobin (appointed 3 April 2017)  
Ms Elizabeth Wade (appointed 3 April 2017)

**Chief Executive:** Professor Colin Campbell

**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

**Auditor**

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

**Solicitors**

CMS Cameron McKenna Nabarro Olswang LLP	Thorntons Solicitors
Saltire Court	Whitehall House
20 Castle Terrace	33 Yeaman Shore
Edinburgh	Dundee
EH1 2EN	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 2018.

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 Farms, 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 continued to build on the many significant scientific successes we have had over recent years, reflecting our commitment to excellence in our scientific research. We continue to pursue the application of our science to help address the global challenges specifically related to the use of land and natural resources. This year has seen further scientific breakthroughs, the publication of journals, and progress in building on our unique global collaborations, such as the evolving partnerships in China and India, where we are working closely with UK and local Governmental agencies. This was the third full year of operation for our commercial subsidiary, James Hutton Limited (JHL), and performance improved this year versus 2017 and the business continued to operate profitably. This reflected the recovery in oil and gas sector, and growth in other parts of our analytical services such as Lipids. JHL continued to be the main vehicle for converting the Institute's Intellectual Property into commercial outcomes, while also building on professional services offerings across the group as a whole.

Our gender mix of staff was as follows: male (48%) and female (52%). At senior management level our gender mix was male (75%) and female (25%). The number of women now on the Institute Board has increased to six out of thirteen directors, bringing us to a broadly balanced gender mix, in line with our strategy to improve the gender mix and achieve parity of numbers of women and men on the Board by 2020. This is a significant achievement and well ahead of schedule. The Board continues to work on the basis of phased retirements and recruitments to ensure this continuity going forward. A matrix of skills and experience has been drawn up to guide new recruitments.

### **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. This plan is regularly reviewed and forms the basis for our annual Operational Plan.

The James Hutton Institute continues to look for opportunities to increase our external earnings and commercial sales, while at the same time reducing our overall reliance on Scottish Government research contracts. In 2017/18 the Institute's external earnings measured by the value of contracts awarded in the year totalled £7.1m, which was broadly in line with the previous year (£7.2m). While income was stable year on year, the difficulty of growing additional income streams reflects the challenges that continued to be faced by the organisation, in part because of the constraints resulting from a sustained period of austerity across the UK economy but also due to the cyclical nature of grant awards from bodies such as the EU. Finding income sources to replace the loss of UKRI grants, due to the loss of eligibility in 2014/15, continues to be a significant challenge. During the year, the Institute applied for IRO status with UKRI, which would address the eligibility issue long term and we were formally granted IRO status in late June 2018.

# THE JAMES HUTTON INSTITUTE

*(Limited By Guarantee, Not Having A Share Capital)*

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

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Staff costs year on year are down from £24.8m to £23.6m, reflecting in the main the reduction in pension costs that resulted from the Institute's withdrawal from the RCPS pension scheme on 31<sup>st</sup> March 2017.

Capital Income will continue to be challenging due to the age of the estate and the ongoing need for re-investment in scientific equipment, farm equipment and infrastructure. Whilst the level of the Scottish Government element of this dropped significantly from £3.1m in 2011 to £100k in 2017, this year we saw a capital grant of £599k from Scottish Government. This was a welcome award and allowed the Institute to address some specific areas of capital expenditure. This in and of itself does not address the long-term issue of obtaining additional capital funds and alternate sources of financing, which continues to be a priority. This may be addressed in part by the two bids for major infra-structure investment, with a combined total of £68m, that have been submitted to the Tayside Cities Deal and that currently await final decisions. The outturn for the year was a deficit of £0.7m (2016/17 £2.1m), which although it included a number of one-off income items, was a significant improvement on the previous year and reflects the hard work undertaken to improve the financial performance and sustainability of the Institute.

We are continuing to develop our Capital Plan and Renewables Strategy, focusing on the effective use of our estate, reducing energy costs and the carbon footprint of the Institute.

The organisation uses a number of Key Performance Indicators to monitor the performance of financial and non-financial matters. The Performance Indicators that are monitored include Total Income, Financial Surplus or Deficit, the number of Scientific journal papers published, impact assessments, Staff Numbers, Corporate Social and measures of waste recycled and CO2 emissions. The main financial KPIs are included in this report below. For the main non-financial KPIs used by the Institute, the following are reported:

1. Number of Scientific Journals Published:	362	(2017: 402)
2. Staff numbers:	573	(2017: 593)
3. Percentage of waste recycled:	48%	(2017: 43%)
4. CO2 emissions:	4,706 tonnes	(2017: 5,577 tonnes)

James Hutton Limited is a wholly owned subsidiary of the Institute. Its principal activity is to generate commercial income from the exploitation of intellectual property developed at the Institute, build close relationships with partners across a number of industries including food and drink, Agri-tech, oil and gas and environmental services sectors and help diversify the customer base and revenue streams of the Institute. Over the medium to longer term this will help reduce the reliance of the Institute on government funding. The long term resilience of The James Hutton Institute depends on increasing / diversifying 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 continues to demonstrate the value that science brings both to the economy and to a wide range of stakeholders. In an environment of ever-changing global pressures and concerns, 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 2018. The statements comprise Group accounts for The James Hutton Institute and its commercial subsidiary, James Hutton Limited.

The capital and reserves as reported in the financial statements at 31 March 2018 totalled £26.3m and comprised of:

- Endowment funds - £0.4m
- Restricted funds - £19.8m
- Unrestricted funds - £6.1m

# THE JAMES HUTTON INSTITUTE

*(Limited By Guarantee, Not Having A Share Capital)*

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

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The main highlights of the financial statements are:

- The Institute transferred staff to a single set of Hutton Terms and Conditions to harmonise and reduce cost associated with pension provision.
- The group made an operating surplus before depreciation of £1.6m (2017: £0.2m). After depreciation, the group's deficit for the year was £0.7m (2017: £2.1m).
- Total income was £36.9m (2017: £38.0m). Core RESAS funding awarded for the Strategic Research Programme this year was £22.2m (2017 £23.2m).
- Capital Income in the year funded directly by Scottish Government was £0.6m. A further £327k of capital expenditure was funded from other grant sources.
- Income recognised in the year from Institute contracts with a range of external funders was down on last year at £7.5m versus £7.9m in 2017. Other income of the Institute includes research station income, tuition fees and bank interest and was £1.7m (2017: £1.9m).
- James Hutton Limited had a turnover of £3.8m (2017 £4.1m) and made a surplus of £0.6m (2017: £0.4m). A Gift Aid distribution to its parent company of £0.5m (2017: £0.3m) has been agreed post year end.

### Future Look

The funding environment will continue to be challenging for the foreseeable future with a number of factors such as future UK and Scottish Government spending constraints and the continued uncertainty surrounding EU research funding in a post Brexit world being two of the key issues. Further tightening of the funding we receive from RESAS for the work carried out on the Strategic Research Programme is likely and this has refocused our efforts to develop our Income Generation Strategy, International Strategy and grow both our external contract income and commercial revenues.

The Institute's Corporate Plan moving forward includes developing strategies to support growth in external funding, internationalisation and commercial activities, to reduce the overall reliance on Scottish Government funding.

### Risks

The Institute uses a number of ways to manage and mitigate risk. These include the use of Risk Registers across the organisation, a Risk Appetite Statement and policy / position statements on a number of key operational matters. In addition, the Institute Risk Register is reviewed by our board and updated regularly. This Risk Register identifies the key operational risks to the organisation and our mitigating actions, which are reviewed regularly by our Board. As part of this process, the following key risks have been identified:

1. Failure to generate sufficient non-Scottish Government income or recognise/capitalise on intellectual property, funding opportunities or other commercial developments.
2. Brexit risks associated in the short-term with the risk to EU funding and medium- to long-term risk due to withdrawal, such as the failure to attract EU nationals to work at the Institute and loss of existing key staff.
3. The current UK political situation creates potential risks to UK funding e.g. Tayside City Deal.
4. Lower than predicted revenue from the commercial subsidiary and market contraction in existing sectors.

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

### Risks relating to the Current Economic Climate

The Institute is monitoring the ongoing implications of Brexit and the impact on the volatility of the euro. The Institute has a significant 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.

# **THE JAMES HUTTON INSTITUTE**

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

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### **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.

### **Appointment of Board Members**

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

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

### **Training of Board Members**

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

### **Board Members**

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

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

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

### **Responsibilities of Board Members**

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

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

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP 2015 (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures that are disclosed and explained in the financial statements;
- ensure that the statements have been prepared on a going concern basis, unless it is inappropriate to assume that the Institute will continue in operation.



# **THE JAMES HUTTON INSTITUTE**

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

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

### **Board Members' Interests**

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

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

### **Responsibilities of the Chief Executive**

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

1. the financial management processes, procedures and systems of the Institute are operated correctly and with propriety;
2. those procedures promote the efficient and economic conduct of business;
3. there are adequate safeguards against misuse, wasteful or fraudulent use of monies including an effective system of internal audit;
4. value for money from public funds is secured;
5. spending proposals are appraised carefully;
6. all expenditure is related to the achievement of clearly defined objectives, firm targets and effective performance measures, as set out in the Institute's Corporate Plan;
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 minimum unrestricted reserve within a range of between £3m and £6m. This year our unrestricted reserves at the end of March 2018 are £6.1m. The Board will continue to monitor the Reserves position given the ongoing challenges in securing sufficient income and managing cost pressures in future years.

### **Investment Policy**

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

### **Equal Opportunities**

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

# THE JAMES HUTTON INSTITUTE

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

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### Health and Safety

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

### Staff Communications

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

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

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

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

### Evaluating the Quality of Service

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

# THE JAMES HUTTON INSTITUTE

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

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### **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 operates independently having previously operated within the provisions of the Biotechnology and Biological Sciences Research Council (BBSRC) Staff Code. The Committee reviews the remuneration of the CEO, Executives and Senior Managers of the Group. The committee also reviews the performance of 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 Committee works to terms of reference agreed by the main Board.

### **Audit and Finance Committee**

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

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

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

The Committee 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 to the Board prior to the signing of the financial statements. It is responsible for ensuring that the Institute's risk policy is implemented.

### **Corporate Governance**

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

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

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

# **THE JAMES HUTTON INSTITUTE**

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

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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 2018 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 regularly to consider the plans and strategic direction of the Institute;
- periodic reports from the Chair of the Audit & Finance Committee concerning internal control;
- regular reports by internal auditors which include their independent opinion on the adequacy and effectiveness of the systems of internal control, together with recommendations for improvement;
- regular reports from managers and Committees, with responsibility for specific areas and services, on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects;
- comments made by the external auditors in their management letters and other reports;
- implementation of a system of quality control throughout the Institute and its subsidiary to the standards specified under the quality standard ISO9001:2015;
- procedures and policies to ensure the application of good scientific practice, as required by external funders such as the UK Research Councils;
- establishment of key performance and risk indicators and reports thereon;
- preparation of Business Plans, which are approved by the Board, along with regular financial reports and forecasts to the Board and senior managers;
- maintenance of an organisation-wide risk register;
- the development of a business continuity plan.

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

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

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

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

**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 auditor is 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 auditor is aware of the information.

On behalf of the Board of Directors:



Professor James Curran  
Chairman

Date: 5 December 2018

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

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**Opinion**

We have audited the financial statements of The James Hutton Institute (the "parent charitable company") and its subsidiary (the "group") for the year ended 31 March 2018 which comprise the Consolidated Statement of Financial Activities, the Group and Parent Charitable Company Income and Expenditure Account, the Group and Parent Charitable Company Balance Sheets, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 31 March 2018, and of the group's and parent charitable company's incoming resources and application of resources, including the group's and parent charitable company's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006.

**Basis for opinion**

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

**Conclusions relating to going concern**

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

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

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

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### **Other information**

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

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

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

### **Matters on which we are required to report by exception**

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

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

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

# **THE JAMES HUTTON INSTITUTE**

*(Limited By Guarantee, Not Having A Share Capital)*

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

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### **Responsibilities of trustees**

As explained more fully in the Board Members' Responsibilities Statement set out on page 6, the Board of Members (who are also the directors of the charitable company for the purposes of company law and trustees for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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



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

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

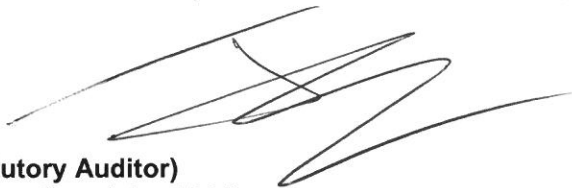
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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision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

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

**Use of our report**

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



**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 : 7 December 2018

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 2018**

	Note	Unrestricted Funds	Restricted Funds	Endowment Funds	Total Funds 2018	Total Funds 2017
		£000	£000	£000	£000	£000
<b>Income and endowments from:</b>						
Other trading activities	7	3,835	-	-	3,835	4,134
Investments	5	39	-	8	47	75
Charitable activities	3	1,664	31,347	-	33,011	33,772
<b>Total income and endowments</b>		<b>5,538</b>	<b>31,347</b>	<b>8</b>	<b>36,893</b>	<b>37,981</b>
<b>Expenditure on:</b>						
Raising funds	7	3,232	-	-	3,232	3,738
Charitable activities	6	2,347	32,018	3	34,368	36,408
<b>Total expenditure</b>		<b>5,579</b>	<b>32,018</b>	<b>3</b>	<b>37,600</b>	<b>40,146</b>
Net gains on fixed asset investments	9	-	-	16	16	42
<b>Net income/(expenditure)</b>		<b>(41)</b>	<b>(671)</b>	<b>21</b>	<b>(691)</b>	<b>(2,123)</b>
Transfers between funds		539	(539)	-	-	-
<b>Net movement in funds</b>	25	<b>498</b>	<b>(1,210)</b>	<b>21</b>	<b>(691)</b>	<b>(2,123)</b>
Balances at 1 April 2017		5,669	21,015	340	27,024	29,147
<b>Balance at 31 March 2018</b>		<b>6,167</b>	<b>19,805</b>	<b>361</b>	<b>26,333</b>	<b>27,024</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 17 to 18.

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 2018**

		Group		Institute	
	Note	2018	2017	2018	2017
		£000	£000	£000	As restated £000
<b>Income:</b>					
Grants from RESAS	2	23,529	23,649	23,529	23,649
Research grants and contracts		7,593	8,252	7,593	8,252
Intercompany charges		-	-	1,389	1,777
Gift aid received		-	-	111	1,036
Other income	3	1,889	1,871	1,889	1,871
Trading income from subsidiaries		3,835	4,134	-	-
Gains on fixed asset investments		16	42	16	42
Interest and investment income	5	47	75	41	66
<b>Gross income</b>		<b>36,909</b>	<b>38,023</b>	<b>34,568</b>	<b>36,693</b>
<b>Expenditure:</b>					
Staff costs		23,574	24,831	22,167	23,431
Scientific consumables		6,216	6,845	5,998	6,543
Depreciation	8	2,304	2,325	2,282	2,298
Other costs	29	5,506	6,145	5,278	5,913
<b>Total expenditure</b>		<b>37,600</b>	<b>40,146</b>	<b>35,725</b>	<b>38,185</b>
<b>Net expenditure before tax</b>		<b>(691)</b>	<b>(2,123)</b>	<b>(1,157)</b>	<b>(1,492)</b>
Tax payable		-	-	-	-
<b>Net expenditure</b>		<b>(691)</b>	<b>(2,123)</b>	<b>(1,157)</b>	<b>(1,492)</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)

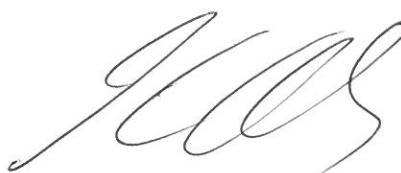
**BALANCE SHEETS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

		Group		Institute	
	Note	2018	2017	2018	2017
		£000	£000	£000	As restated £000
<b>Fixed Assets:</b>					
Tangible assets	8	21,334	22,325	21,270	22,268
Investments	9	222	206	222	206
		<u>21,556</u>	<u>22,531</u>	<u>21,492</u>	<u>22,474</u>
<b>Current Assets:</b>					
Stocks	10	386	407	386	407
Debtors	11	6,999	4,134	6,182	3,708
Cash at bank and in hand		2,709	2,437	2,046	2,091
Investments - bank deposit accounts	12	5,083	6,065	4,080	4,805
		<u>15,177</u>	<u>13,043</u>	<u>12,694</u>	<u>11,011</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(10,265)</u>	<u>(8,470)</u>	<u>(9,747)</u>	<u>(7,944)</u>
<b>Net Current Assets</b>		<u>4,912</u>	<u>4,573</u>	<u>2,947</u>	<u>3,067</u>
<b>Total assets less current liabilities</b>		<u>26,468</u>	<u>27,104</u>	<u>24,439</u>	<u>25,541</u>
<b>Creditors: amounts falling due after more than one year</b>	14	<u>(135)</u>	<u>(80)</u>	<u>(135)</u>	<u>(80)</u>
<b>Net Assets</b>	19	<u>26,333</u>	<u>27,024</u>	<u>24,304</u>	<u>25,461</u>
<b>Funds of the charity</b>					
Endowment funds	16	361	340	361	340
Restricted funds	17	19,805	21,015	19,805	21,015
Unrestricted funds	18	6,167	5,669	4,138	4,106
<b>Total charity funds</b>	19	<u>26,333</u>	<u>27,024</u>	<u>24,304</u>	<u>25,461</u>

These financial statements were approved by the Board of Governors on 5 December 2018 and were signed on its behalf by:



Professor James Curran  
Chairman



Dr Ian Gambles  
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 2018**

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	Note	2018 £000	2017 £000
<b>Net cash provided by/(used in) operating activities</b>	20	<u>(764)</u>	<u>(1,135)</u>
<b>Investing activities</b>			
Purchase of tangible fixed assets		(896)	(907)
Proceeds on disposal of tangible fixed assets		6	-
Bank interest received		39	67
Dividends received		8	8
Capital grants received		926	737
<b>Net cash flow from investing activities</b>		<u>83</u>	<u>(95)</u>
<b>Financing activities</b>			
Capital element of hire purchase repayments		(29)	(11)
<b>Net cash flow from financing activities</b>		<u>(29)</u>	<u>(11)</u>
<b>Change in cash and cash equivalents</b>		(710)	(1,241)
Cash and cash equivalents at start of reporting period	21	<u>8,502</u>	<u>9,743</u>
Cash and cash equivalents at end of reporting period	21	<u><u>7,792</u></u>	<u><u>8,502</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 2018**

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**1 Principal accounting policies**

**Company information**

The James Hutton Institute is a private company limited by guarantee incorporated in Scotland. The registered office is given 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 and the Companies Act 2006. The financial statements have also been prepared in accordance with the Charities Accounts (Scotland) Regulations 2006 and the Charities and Trustee Investment (Scotland) Act 2005. The company is a Public Benefit Entity as defined by FRS 102.

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

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

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

**FRS 102 reduced disclosure framework - parent charitable company**

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

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

(a) The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17 (d); and

(b) The requirement of Section 33 Related Party Disclosures paragraph 33.7.

**Going concern**

At the time of approving the accounts, the Board has a reasonable expectation that the Institute has adequate resources to continue operations for the foreseeable future. The Institute has received confirmation of RESAS grant funding for 2018/19 of £22.1m. It has bids for the next two years with RESAS, which form part of the 2016 - 2021 Strategic Research Programme, for which funding has been agreed in principle. 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 subsidiary, James Hutton Limited (JHL).

**Gift aid distributions**

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

**THE JAMES HUTTON INSTITUTE**  
**(Limited by Guarantee, Not Having A Share Capital)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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**1 Principal accounting policies (continued)**

**Government Grants**

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

**Grants and contract income from external sources**

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

**Resources Expended**

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

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

**Intangible fixed assets**

Acquired goodwill is capitalised and amortised over its 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.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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**1 Principal accounting policies (continued)**

**Current asset investments**

Investments are in relation to fixed term bank deposit accounts.

**Investment income**

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

**Stocks**

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

**Fund accounting**

Funds held by the Institute are classified as:

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

**Financial instruments**

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

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

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

**Basic financial assets**

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

**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 2018**

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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 payments discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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

***Classification of financial liabilities***

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

***Derecognition of financial liabilities***

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

**Taxation**

The Institute has been granted charitable status by HMRC and is not therefore liable 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.

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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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**

The Group operates a defined contribution pension scheme which was offered to certain employees during the prior year and to all employees from 1 April 2017. Employer contributions to the scheme are charged to income and expenditure in the year to which they relate.

Until 31 March 2017, certain Institute staff participated 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 accounted for these schemes as if they were defined contribution schemes.

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 2018**

**2 Grants received from RESAS**

	2018 £000	2017 £000
<b>Group and Institute</b>		
Opening deferred income	81	20
Grants for current expenditure	22,237	23,223
Grants for capital expenditure	599	100
Other Scottish Government grants	1,034	387
	<u>23,951</u>	<u>23,730</u>
Income deferred - Centre of Expertise for Water	-	(81)
- Hydro Nation International	(383)	-
- Centre for Plant Health	(39)	-
	<u>23,529</u>	<u>23,649</u>

All amounts included above are attributable to restricted funds.

**3 Income and endowments from charitable activities**

	2018 £000	2017 £000
<b>Group</b>		
RESAS grants for revenue expenditure	22,237	23,223
RESAS grants for capital expenditure	599	100
Other Scottish Government grants	693	326
Grants from MDT for revenue expenditure	858	758
Grants from MDT for capital expenditure	28	259
Other grants and contract income of Institute	6,707	7,235
Other income	1,889	1,871
Total incoming resources from charitable activities	<u>33,011</u>	<u>33,772</u>
<b>Attributable to funds as follows:</b>		
Restricted funds	31,347	31,901
Unrestricted funds	1,664	1,871
	<u>33,011</u>	<u>33,772</u>

**Analysis of Other Income**

	2018 £000	2017 £000
<b>Group and Institute</b>		
Facilities income	226	226
Centre for Knowledge	225	-
Other rental income	19	14
Student fees	77	88
Services	246	245
Farm income	814	744
Other sundry income	282	554
	<u>1,889</u>	<u>1,871</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**4 Employee information**

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

	<b>2018</b>	2017
	<b>Number</b>	Number
Scientific	<b>408</b>	422
Other	<b>165</b>	171
	<u><b>573</b></u>	<u>593</u>
	<b>£000</b>	£000
Employee costs		
Wages and salaries	<b>19,211</b>	18,800
Social security costs	<b>1,678</b>	1,865
Other pension costs	<b>2,685</b>	4,166
<b>Total direct costs of employment</b>	<u><b>23,574</b></u>	<u>24,831</u>

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

	<b>2018</b>	2017
	<b>£</b>	£
Ray Perman	-	30,000
Allan Stevenson	-	24,000
Brian Clark	-	12,000
Joan MacNaughton	<b>12,250</b>	12,000
James Curran	<b>30,000</b>	-
Stephen Hall	<b>12,000</b>	-
Deborah Keith	<b>12,000</b>	-
	<u><b>66,250</b></u>	<u>78,000</u>

Travel and subsistence expenses of £26,907 (2017: £22,550) were reimbursed to 12 members of the Board (2017: 12 members).

The remuneration of the highest paid employee during the year was £154,500 (2017: £156,225).

Key management personnel received remuneration for their services as follows:

	<b>2018</b>	2017
	<b>£</b>	£
Key management personnel	<u><b>724,041</b></u>	<u>891,567</u>

The number of key management personnel during the year was 4 full-time and 2 part-time (2017: 4 full-time, 2 part-time and 1 for part year).

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**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:

	<b>2018</b>	2017
	<b>Number</b>	Number
£60,000 - £69,999	<b>18</b>	23
£70,000 - £79,999	<b>6</b>	2
£80,000 - £89,999	-	-
£90,000 - £99,999	<b>2</b>	-
£100,000 - £109,999	<b>1</b>	-
£110,000 - £119,999	-	3
£120,000 - £129,999	-	-
£130,000 - £139,999	-	-
£140,000 - £149,999	-	-
£150,000 - £159,999	<b>1</b>	<b>1</b>
	<u><b>28</b></u>	<u><b>29</b></u>

Total pension contributions payable in relation to the above staff in the year amounted to £272,643 (2017 - £432,742).

**5 Investment Income**

	<b>Group</b>		<b>Institute</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>£000</b>	£000	<b>£000</b>	£000
Dividends from listed investments	<b>8</b>	8	<b>8</b>	8
Bank interest	<b>39</b>	67	<b>33</b>	58
	<u><b>47</b></u>	<u>75</u>	<u><b>41</b></u>	<u>66</u>
<b>Attributable to funds as follows:</b>				
Endowment funds	<b>8</b>	8	<b>8</b>	8
Unrestricted funds	<b>39</b>	67	<b>33</b>	58
	<u><b>47</b></u>	<u>75</u>	<u><b>41</b></u>	<u>66</u>

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<b>6 Expenditure</b>	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Expenditure on charitable activities</b>		
Scientific staff costs	<b>16,516</b>	17,721
Support staff costs	<b>4,992</b>	4,974
	<b>21,508</b>	22,695
Scientific consumables	<b>5,998</b>	6,543
PhD fees, stipends and other costs	<b>249</b>	337
Depreciation	<b>2,282</b>	2,298
Support costs	<b>4,093</b>	4,407
Governance costs	<b>177</b>	128
Loss on disposal on tangible fixed assets	<b>61</b>	-
	<b>34,368</b>	36,408
<b>Attributable to funds as follows:</b>		
Restricted funds	<b>32,018</b>	34,159
Unrestricted funds	<b>2,347</b>	2,246
Endowment fund	<b>3</b>	3
	<b>34,368</b>	36,408
<b>Support costs</b>		
Rent and utilities	<b>1,336</b>	1,194
Communications and telephones	<b>77</b>	187
Technical services	<b>513</b>	461
ITS costs	<b>493</b>	707
Library and data manager	<b>369</b>	443
Property maintenance and service and cleaning	<b>631</b>	537
Other	<b>1,370</b>	1,922
	<b>4,789</b>	5,451
Recharged and included in expenditure of trading subsidiaries	<b>(696)</b>	(1,044)
	<b>4,093</b>	4,407
<b>Governance costs</b>		
	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Auditor's remuneration (Institute)		
- audit	<b>29</b>	27
- taxation services	<b>4</b>	3
- other services	<b>9</b>	12
Other governance costs	<b>135</b>	86
	<b>177</b>	128
Auditor's remuneration included in expenditure of trading subsidiaries		
- audit	<b>9</b>	7
- taxation services	<b>-</b>	-
	<b>186</b>	135

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**7 Income and expenditure of trading subsidiaries**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Other trading activities	<b>3,835</b>	4,134
Raising funds	<b>(3,232)</b>	(3,738)
Net income before interest	<b><u>603</u></b>	<u>396</u>

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

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**8 Tangible Fixed Assets**  
**Group**

	Freehold Land and buildings £000	Plant, machinery and equipment £000	Motor Vehicles £000	Total £000
<b>Cost</b>				
At beginning of year	37,285	32,241	1,358	70,884
Additions	176	1,118	86	1,380
Disposals	(144)	(39)	(150)	(333)
At end of year	<u>37,317</u>	<u>33,320</u>	<u>1,294</u>	<u>71,931</u>
<b>Depreciation</b>				
At beginning of year	19,096	28,362	1,101	48,559
Charge for year	1,056	1,168	80	2,304
Disposals	(82)	(36)	(148)	(266)
At end of year	<u>20,070</u>	<u>29,494</u>	<u>1,033</u>	<u>50,597</u>
<b>Net book value</b>				
<b>At 31 March 2018</b>	<u><u>17,247</u></u>	<u><u>3,826</u></u>	<u><u>261</u></u>	<u><u>21,334</u></u>
At 31 March 2017	<u>18,189</u>	<u>3,879</u>	<u>257</u>	<u>22,325</u>

**Institute**

	Freehold Land and buildings £000	Plant, machinery and equipment £000	Motor Vehicles £000	Total £000
<b>Cost</b>				
At beginning of year	37,285	31,584	1,358	70,227
Additions	176	1,089	86	1,351
Disposals	(144)	(39)	(150)	(333)
At end of year	<u>37,317</u>	<u>32,634</u>	<u>1,294</u>	<u>71,245</u>
<b>Depreciation</b>				
At beginning of year	19,096	27,762	1,101	47,959
Charge for year	1,056	1,146	80	2,282
Disposals	(82)	(36)	(148)	(266)
At end of year	<u>20,070</u>	<u>28,872</u>	<u>1,033</u>	<u>49,975</u>
<b>Net book value</b>				
<b>At 31 March 2018</b>	<u><u>17,247</u></u>	<u><u>3,762</u></u>	<u><u>261</u></u>	<u><u>21,270</u></u>
At 31 March 2017	<u>18,189</u>	<u>3,822</u>	<u>257</u>	<u>22,268</u>

**Group and Institute**

Included within heritable land and buildings is land of £4,616,166 (2017 - £4,616,166) which has not been depreciated.

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

	2018 £000	2017 £000
Motor vehicles	88	89
Plant, machinery and equipment	167	-
	<u><u>255</u></u>	<u><u>89</u></u>
Depreciation charged for the year in respect of leased assets	<u>12</u>	<u>3</u>



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9	Fixed asset investments	Group		Institute	
		2018 £000	2017 £000	2018 £000	2017 £000
<b>Listed investments</b>					
	At beginning of year	206	164	206	164
	Unrealised gain on revaluation	16	42	16	42
	At end of year	<u>222</u>	<u>206</u>	<u>222</u>	<u>206</u>
	Historical cost at 31 March 2018	<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.

	Group		Institute	
	2018 £000	2017 £000	2018 £000	2017 £000
Unrealised gain on revaluation of fixed asset investments	<u>16</u>	<u>42</u>	<u>16</u>	<u>42</u>
Attributable to funds as follows:				
Restricted funds	-	-		
Endowment funds	<u>16</u>	<u>42</u>		
	<u>16</u>	<u>42</u>		

10	Stocks	Group		Institute	
		2018 £000	2017 £000	2018 £000	2017 £000
	Farm Stock	369	391	369	391
	Other	17	16	17	16
		<u>386</u>	<u>407</u>	<u>386</u>	<u>407</u>

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**11 Debtors**

	<b>Group</b>		<b>Institute</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>£000</b>	£000	<b>£000</b>	As restated £000
Trade debtors	<b>683</b>	535	-	-
Amounts due from group undertakings	-	-	<b>136</b>	520
Other debtors	<b>4,067</b>	1,752	<b>4,067</b>	1,752
Prepayments and accrued income	<b>932</b>	623	<b>821</b>	523
Amounts recoverable on research grants and contracts	<b>1,317</b>	1,224	<b>1,158</b>	913
	<b><u>6,999</u></b>	<u>4,134</u>	<b><u>6,182</u></b>	<u>3,708</u>

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

	<b>2018</b>	2017	<b>2018</b>	2017
	<b>£000</b>	£000	<b>£000</b>	£000
Other debtors	<b><u>2</u></b>	<u>17</u>	<b><u>2</u></b>	<u>17</u>

**12 Current asset investments**

	<b>Group</b>		<b>Institute</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>£000</b>	£000	<b>£000</b>	£000
Bank deposit accounts	<b><u>5,083</u></b>	<u>6,065</u>	<b><u>4,080</u></b>	<u>4,805</u>

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

	<b>Group</b>		<b>Institute</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>£000</b>	£000	<b>£000</b>	£000
Trade creditors	<b>1,756</b>	1,897	<b>1,652</b>	1,865
Taxation and social security costs	<b>522</b>	621	<b>443</b>	527
Other creditors	<b>482</b>	184	<b>469</b>	184
Accruals and deferred income	<b>1,785</b>	1,836	<b>1,680</b>	1,769
Hire purchase creditors	<b>62</b>	18	<b>62</b>	18
Research grants and contract income received in advance	<b>5,658</b>	3,914	<b>5,441</b>	3,581
	<b><u>10,265</u></b>	<u>8,470</u>	<b><u>9,747</u></b>	<u>7,944</u>

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

	Group		Institute	
	2018 £000	2017 £000	2018 £000	2017 £000
Accruals due:-				
within 1 - 2 years	15	17	15	17
within 2 - 5 years	-	-	-	-
after more than 5 years	-	-	-	-
Hire purchase creditors:-				
within 1 - 2 years	62	18	62	18
within 2 - 5 years	58	45	58	45
after more than 5 years	-	-	-	-
	<u>135</u>	<u>80</u>	<u>135</u>	<u>80</u>

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

**15 Financial instruments**

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

	Group		Institute	
	2018 £000	2017 £000	2018 £000	2017 £000
Financial assets measured at fair value through net income / expenditure	<u>222</u>	<u>206</u>	<u>222</u>	<u>206</u>
Financial assets that are debt instruments measured at amortised cost	<u>14,017</u>	<u>12,013</u>	<u>11,594</u>	<u>10,379</u>
Financial liabilities measured at amortised cost	<u>3,083</u>	<u>3,296</u>	<u>2,884</u>	<u>3,197</u>

**16 Endowment funds**

	Lewis Endowment Fund £000
Income	8
Expenditure	(3)
	<u>5</u>
Unrealised gain on revaluation of investments	16
At beginning of year	340
<b>At end of year</b>	<u><b>361</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</b>	<b>Institute</b>
	<b>£000</b>	<b>£000</b>
(a) Restricted capital reserves		
At beginning of year	21,015	21,015
RESAS grants for capital expenditure	599	599
MDT grants for capital expenditure	28	28
Other grant funding and external contracts	299	299
Depreciation	(2,075)	(2,075)
Disposal of fixed assets	(61)	(61)
<b>At end of year</b>	<b><u>19,805</u></b>	<b><u>19,805</u></b>
(b) Other restricted reserves		
At beginning of year	-	-
Income	30,421	30,421
Expenditure	(29,882)	(29,882)
Extraordinary items	-	-
Transfer to unrestricted reserves (Note 18)	(539)	(539)
<b>At end of year</b>	<b><u>-</u></b>	<b><u>-</u></b>

**18 Unrestricted funds**

	<b>Institute</b>	<b>JHL</b>	<b>Group</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Beginning of year - as previously reported	4,217	1,452	5,669
Prior year adjustment	<u>(111)</u>	<u>111</u>	<u>-</u>
Beginning of year - as restated	4,106	1,563	5,669
Net (expenditure) / income	(650)	609	(41)
Gift aid distribution to parent company	111	(111)	-
Reallocation	32	(32)	-
Transfer from other restricted reserves	539	-	539
<b>At end of year</b>	<b><u>4,138</u></b>	<b><u>2,029</u></b>	<b><u>6,167</u></b>

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**18 Unrestricted funds (continued)**

**Prior period adjustments**

In line with clarification issued by the Financial Reporting Council (FRC) and related amendments to FRS 102, the group has revised its accounting treatment for gift aid distributions by JHL to the Institute. These are accounted for as JHL reserve movements and Institute income in the period they are formally approved, rather than in the period to which they relate, and the Institute and JHL have restated opening reserves and comparative figures accordingly. This has resulted in a decrease of £849k to Institute reserves at 1 April 2016 (Note 25), a decrease of £738k to the Institute's deficit for the comparative period, and a decrease of £111k to the Institute's reserves at 31 March 2017. There has been no impact on group results or group reserves.

**19 Net assets by fund**

**Group**

	<b>Unrestricted Funds £000</b>	<b>Restricted Funds £000</b>	<b>Endowment Funds £000</b>	<b>Total Funds £000</b>
<b>At 31 March 2018</b>				
Fixed assets	1,529	19,805	222	21,556
Current assets	15,038	-	139	15,177
Total creditors	(10,400)	-	-	(10,400)
<b>Net assets</b>	<b><u>6,167</u></b>	<b><u>19,805</u></b>	<b><u>361</u></b>	<b><u>26,333</u></b>
<b>At 31 March 2017</b>				
Fixed assets	1,349	20,976	206	22,531
Current assets	12,870	39	134	13,043
Total creditors	(8,550)	-	-	(8,550)
<b>Net assets</b>	<b><u>5,669</u></b>	<b><u>21,015</u></b>	<b><u>340</u></b>	<b><u>27,024</u></b>
<b>Institute</b>				
	<b>Unrestricted Funds £000</b>	<b>Restricted Funds £000</b>	<b>Endowment Funds £000</b>	<b>Total Funds £000</b>
<b>At 31 March 2018</b>				
Fixed assets	1,465	19,805	222	21,492
Current assets	12,555	-	139	12,694
Total creditors	(9,882)	-	-	(9,882)
<b>Net assets</b>	<b><u>4,138</u></b>	<b><u>19,805</u></b>	<b><u>361</u></b>	<b><u>24,304</u></b>
<b>At 31 March 2017 (as restated)</b>				
Fixed assets	1,292	20,976	206	22,474
Current assets	10,838	39	134	11,011
Total creditors	(8,024)	-	-	(8,024)
<b>Net assets</b>	<b><u>4,106</u></b>	<b><u>21,015</u></b>	<b><u>340</u></b>	<b><u>25,461</u></b>

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<b>20</b>	<b>Reconciliation of net income/(expenditure) to net cash flow from operating activities</b>		
		<b>2018</b>	2017
		<b>£000</b>	£000
	<b>Group</b>		
	Net income/(expenditure)	<b>(691)</b>	(2,123)
	Depreciation	<b>2,304</b>	2,325
	Capital grants credited to income and expenditure account	<b>(926)</b>	(737)
	Dividends and interest received	<b>(47)</b>	(75)
	Net loss/(gain) on fixed assets	<b>45</b>	(42)
	Decrease in stock	<b>21</b>	71
	(Increase)/decrease in debtors	<b>(2,865)</b>	3
	Increase/(decrease) in creditors	<b>1,395</b>	(557)
	<b>Net cash provided by/(used in) operating activities</b>	<b><u>(764)</u></b>	<b><u>(1,135)</u></b>
<b>21</b>	<b>Components of cash and cash equivalents</b>		
		<b>2018</b>	2017
		<b>£000</b>	£000
	Cash at bank and in hand	<b>2,709</b>	2,437
	Investments - bank deposit accounts	<b>5,083</b>	6,065
		<b><u>7,792</u></b>	<b><u>8,502</u></b>

**22 Capital commitments**

At the year end, the Group and Institute were committed to purchasing tangible fixed assets of £17k (2017 - £nil).

**23 Pension Scheme**

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

During the year contributions payable by the Group amounted to £2,703k (2017 - £442k). Outstanding contributions at 31 March 2018 were £363k (2017 - £nil).

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

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

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

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**23 Pension Scheme (continued)**

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

Employer contributions to JSS in the year ended 31 March 2017 were £3,724k. There were no outstanding contributions at 31 March 2017.

**24 Operating lease obligations**

At 31 March 2018 the Institute had total future minimum lease payments under non-cancellable operating leases as follows:

	<b>2018</b>	2017
	<b>£000</b>	£000
<b>Group and Institute</b>		
Within 1 year	192	228
Between two and five years	463	533
After more than five years	2,580	2,670
	<u>3,235</u>	<u>3,431</u>

**25 Reconciliation of movement in reserves**

	<b>Group</b>		<b>Institute</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>£000</b>	£000	<b>£000</b>	£000
Opening reserves - as previously reported	<b>27,024</b>	29,147	<b>25,572</b>	27,802
Prior year adjustment (Note 18)	-	-	(111)	(849)
Opening reserves - as restated	<u>27,024</u>	<u>29,147</u>	<u>25,461</u>	<u>26,953</u>
Deficit for the financial year - as previously reported	<b>(691)</b>	(2,123)	<b>(1,157)</b>	(2,230)
Prior year adjustment (Note 18)	-	-	-	738
	<u>(691)</u>	<u>(2,123)</u>	<u>(1,157)</u>	<u>(1,492)</u>
Closing reserves	<u><b>26,333</b></u>	<u>27,024</u>	<u><b>24,304</b></u>	<u>25,461</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.33.1A.

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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.

JHL distributes a substantial part of available profits as gift aid to the Institute. Subsequent to the year end, a distribution of £548,000 has been approved in respect of the year ended 31 March 2018 and this will be paid prior to 31 December 2018.

A summary of the trading results is shown below.

	<b>James Hutton Limited</b>	
	<b>2018</b>	2017
		As
		Restated
	<b>£000</b>	£000
<b>Profit and loss</b>		
Turnover	<b>3,835</b>	4,134
Cost of sales	<b>(2,403)</b>	(2,898)
Gross profit	<b>1,432</b>	1,236
Administrative expenses	<b>(884)</b>	(914)
Other operating income	<b>55</b>	74
Operating profit	<b>603</b>	396
Interest receivable	<b>6</b>	9
Taxation	<b>-</b>	-
Profit for the financial year	<b>609</b>	405
Gift Aid distribution to: parent company	<b>(111)</b>	(1,036)
Increase/(decrease) to reserves	<b>498</b>	(631)
The assets and liabilities of the subsidiary		
Fixed assets	<b>64</b>	57
Current assets	<b>2,618</b>	2,552
Creditors: amounts falling due with one year	<b>(653)</b>	(1,078)
Provisions for liabilities	<b>-</b>	-
Total net assets	<b>2,029</b>	1,531
Aggregate share capital and reserves	<b>2,029</b>	1,531



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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**28 Income**

	Group		Institute	
	2018	2017	2018	2017
				As restated
	£000	£000	£000	£000
Geographical segment:				
United Kingdom	<b>28,264</b>	34,609	<b>27,217</b>	32,597
Rest of Europe	<b>7,888</b>	2,683	<b>6,961</b>	2,661
Rest of World	<b>694</b>	614	<b>222</b>	291
	<b><u>36,846</u></b>	<u>37,906</u>	<b><u>34,400</u></b>	<u>35,549</u>
Gift aid	-	-	<b>111</b>	1,036
Gains on fixed asset investments	<b>16</b>	42	<b>16</b>	42
Interest and investment income	<b>47</b>	75	<b>41</b>	66
	<b><u><u>36,909</u></u></b>	<u><u>38,023</u></u>	<b><u><u>34,568</u></u></b>	<u><u>36,693</u></u>

**29 Analysis of Other Expenditure**

	Group		Institute	
	2018	2017	2018	2017
	£000	£000	£000	£000
Support costs	<b>5,010</b>	5,673	<b>4,791</b>	5,448
Loss on disposal of tangible fixed assets	<b>61</b>	-	<b>61</b>	-
Fees and stipends	<b>249</b>	337	<b>249</b>	337
Governance costs	<b>186</b>	135	<b>177</b>	128
	<b><u><u>5,506</u></u></b>	<u><u>6,145</u></u>	<b><u><u>5,278</u></u></b>	<u><u>5,913</u></u>