

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 2022**

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

**TRUSTEES' REPORT AND GROUP FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

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**BOARD OF DIRECTORS**

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**Chair**

Dr Ian Gambles

**Other Board Members**

Samantha Barber (resigned 30 August 2022)

Susan Davies

Archibald Gibson

Professor Christopher Gilligan (appointed 1 June 2021)

Kenneth Greetham

Sir Paul Grice (appointed 1 May 2021)

Dr Deborah Keith

George Lawrie

Dr Aileen McLeod (resigned 9 August 2022)

Iain Reid

Professor Alyson Tobin

Elizabeth Wade

**Chief Executive**

Professor Colin Campbell

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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**

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

### **Solicitors**

Thorntons Solicitors  
Whitehall House  
33 Yeaman Shore  
Dundee  
DD1 4BJ

### **Bankers**

Clydesdale Bank  
1 Queens Cross  
Aberdeen  
AB15 4XU

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## **TRUSTEES' REPORT, INCORPORATING THE STRATEGIC REPORT**

The Directors present their report and the audited financial statements for the year ended 31 March 2022.

### **Structure, Governance and Management**

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

### **Board Members**

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

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

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

### **Responsibilities of Board Members**

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

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

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

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

### **Section 172 statement**

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

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

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

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

Key stakeholders are considered to include the following groups:

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

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

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

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

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

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

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

### **Board Members' Interests**

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

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

### **Appointment of Board Members**

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

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

### **Training of Board Members**

Board Members' induction aims to ensure they are aware of their legal obligations under charity and company law, the content of the Memorandum and Articles of Association, the committee and decision-making processes, the strategic plan, risk policy and financial performance. They will also meet key members of the Hutton team, and other Board members. Ongoing training, support and relevant information is provided to Board Members as required.

### **Management of the Organisation**

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

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

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

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

### **Nominations, Remuneration and Governance Committee**

The Nominations, Remuneration and Governance Committee comprises at least four members of the Institute's Board and works to terms of reference agreed by the main Board. The Committee reviews the remuneration of the CEO, Executives and Senior Managers of the Group, and also reviews the performance of the Chair and the Board. The Committee is responsible for advising the Board on the remuneration of non-Executive Directors, Chairs of Committees and Directors' pay.

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### **Audit and Finance Committee**

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

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

In addition, the Committee specifically reviewed and advised the Board on the Group's going concern assessment. The review took into account the potential for ongoing economic disruption, whether from the ongoing crisis in Ukraine or from other global events that might affect supply chains, energy security, key funding sources and commercial prospects. The Committee discussed the going concern assessment with the Independent Auditor and confirmed the conclusions reached.

### **Science Excellence & Research Impact Committee**

The Science Excellence & Research Impact Committee comprises at least four members of the Institute's Board and works to terms of reference agreed by the main Board.

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

### **Capital Programme Committee**

The Capital Programme Committee was formed during 2021/22 in recognition of the scale and complexity of the various capital projects across Hutton's estate, to support the development and delivery of the Group's capital programme. Membership comprises at least three members of the James Hutton Institute Board, including the Chair of the Audit and Finance Committee.

The Committee's remit is to scrutinise the progress and delivery of significant capital projects (those with a value in excess of £250,000) against the approved business cases, to review the interdependencies between capital projects, and the affordability and achievability of the capital programme as a whole. The Committee reviews capital programme risks and advises the Board of any significant potential issues, and of the impact of any potential changes in the capital programme or of competing demands. The Committee will also in due course review post project evaluations of the benefits of completed capital projects.

### **Corporate Governance**

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

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

Whilst the Board is ultimately responsible for the Institute's system of internal control and risk management, the Chief Executive has responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, whilst safeguarding the funds and assets provided to Hutton. Any system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. Good internal control reflects an ongoing process designed to identify the principal risks to



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the achievement of the organisation's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. Such a process has been in place for the year ended 31 March 2022 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:

- senior managers meet regularly to consider Hutton's plans and strategic direction;
- regular reports by internal auditors which include their independent opinion on the adequacy and effectiveness of the systems of internal control, together with recommendations for improvement;
- comments made by the external auditors in their management letters and other reports;
- reports from the Audit & Finance Committee relating to the outcome of internal audit reviews of internal controls;
- regular reports from managers and Committees, with responsibility for specific areas and services, on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects;
- implementation of a system of quality control throughout the Hutton Group to the standards specified under the quality standard IS09001:2015;
- procedures and policies to ensure the application of good scientific practice, as required by funders such as the UK Research Councils;
- regular reporting on key performance and risk indicators;
- preparation of Business Plans, which are approved by the Board, along with regular financial reports and forecasts to the Board and senior managers;
- active use of an organisation-wide risk register; and,
- the development and maintenance of a business continuity plan.

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

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

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

### **Reserves Policy**

The Board and the Executive have reviewed our Reserves Policy taking account of liabilities and unrestricted reserves. The total reserves at 31 March 2022 were £39.3m (2021: £23.5m) of which £32.5m (2021: £17.8m) are restricted for the purposes given and £0.4m (2021: £0.4m) related to endowments, leaving a balance of unrestricted reserves of £6.4m (2021: £5.3m) that can be used for any purpose within our charitable objectives. The Board have confirmed that they will plan to maintain a minimum unrestricted reserve within a range of between £3m and £6m which is considered sufficient to ensure ongoing operation under various scenarios. Although our unrestricted reserves at the end of March 2022 of £6.4m (2021: £5.3m) are slightly in excess of the upper bound of our Reserves Policy, this is considered appropriate in the context of our operational activity and global economic uncertainties – specifically, for example, the significant cashflows associated with the Tay Cities Region Deal (TCRD) and the exceptional levels of inflation being experienced during 2022 – which may lead to unforeseen demands on reserves. The Board will continue to monitor the Reserves position given the ongoing challenges in securing sufficient income, managing cost pressures and managing the significant future cash outflows and inflows relating to the Tay Cities Region Deal investment at our Invergowrie site.

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### **Investment Policy**

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

### **Objectives and Activities**

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

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

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

We are located principally in facilities based in the Craigiebuckler area of Aberdeen and in Invergowrie, near Dundee; both the Craigiebuckler and Invergowrie sites are owned by Hutton, following the transfer on 31 March 2021 of the Invergowrie site into our ownership under the terms of the Tay Cities Region Deal funding. The Invergowrie site was formerly leased from Scottish Government. During 2021-22 we operated Research Farms at Glensaugh in Aberdeenshire (leased); at Mylnefield, Invergowrie (owned) and Balruddery (owned) in Perthshire, near Dundee. A proportion of the buildings and equipment we use was funded by capital grant from RESAS (the Rural & Environment Science & Analytical Services division within the Scottish Government). At Glensaugh, we operated from land owned by and rented from the Scottish Ministers.

### **Achievements and Performance**

#### **Operational Overview**

Our plans for 2021/22 remained somewhat constrained due to the continued impact of the COVID-19 pandemic, although the impact lessened as the year progressed. The Board continued to review and reassess the potential impact of COVID-19 on expectations around scientific activities, income generation and costs. Our confidence about a sustained move back towards normal operations increased as the year progressed, with both our activity levels and our partners' activity levels increasing steadily, culminating in a particularly strong final quarter. The remote working arrangements established by necessity during COVID-19 have transitioned into ongoing hybrid working arrangements for those staff whose roles permit them to work more flexibly, and this is a welcome positive development out of an otherwise difficult period.

To the greatest degree possible in the circumstances, we continued during 2021/22 to pursue the application of our science to help address the global challenges specifically related to the use of land and natural resources. Some of our planned activities still could not take place exactly in the manner or to the degree originally envisaged, particularly where these necessarily required travel to research sites, where work could not satisfactorily or fully be undertaken remotely, and where our work or our partners' work suffered various COVID-related disruptions that slowed or interrupted activity. We nonetheless delivered the great majority of our planned research with many significant research deliverables, publications, and further progress in sustaining and building on our Scottish, UK and global collaborations.

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

Our gender mix of employees at the year end was: male 48% (2021: 48%) and female 52% (2021: 52%). At Executive leadership level our gender mix was male 60% (2021: 60%) and female 40% (2021: 40%). Our Equality, Diversity & Inclusion Committee continues to promote gender and wider equality at all levels. The

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Hutton was one of the first organisations of its kind to be awarded Athena SWAN Charter status in April 2014. Our ongoing commitment to advancing the careers of women in science and technology is recognised in our current award of Athena SWAN Bronze status, and we plan to seek Silver status by spring 2024. As at the year end, the number of women on the Institute Board was six out of thirteen directors, sustaining near gender parity on the Board. The Board continues to work on the basis of phased retirements and recruitments with a view to sustaining broad gender parity over time. Accordingly, planning for retirements and recruitments takes place on an ongoing basis, overseen by the Nominations, Remuneration & Governance Committee, seeking to ensure continued balanced membership across business and scientific disciplines as well as gender balance.

### Financial Review

The Board of Directors presents the report and financial statements for the year ended 31 March 2022. The statements comprise Group accounts for The James Hutton Institute and its commercial subsidiary, James Hutton Limited.

The capital and reserves as at 31 March 2022 totalled £39.5m and comprised:

- Endowment funds                      £0.4m
- Restricted funds                        £32.5m
- Unrestricted funds                      £6.6m

The highlights of the year are:

- Total income was £12.4m higher than last year, at £51.7m (2021: £39.3m). The significant increase in income is principally due to capital income relating to the Tay Cities Region Deal, as explained in more detail below.
- Capital Income in the year funded directly by Scottish Government was £1.1m (2021 £311k). Capital funded from the TCRD was £13.9m (2021: £5.1m). There was no other grant-funded capital expenditure (2021: £nil).
- Income recognised in the year from Institute contracts with a range of research funders other than RESAS was 18% higher year on year at £7.8m (2021: £6.6m).
- Other income includes research farms income, tuition fees, furlough subsidy and bank interest and was £1.6m (2021: £2.0m).
- James Hutton Limited turnover was £4.3m (2021 £3.4m), with an operating profit of £746k (2021: £19k). A Gift Aid distribution to the Institute of £347k (2021: £nil) has been agreed post year end. The improvement in JHL's performance reflects its recovery from the impacts of COVID on last year's results.
- Overall, the Group made a surplus for the year after depreciation and tax of £16.0m (2021: £0.9m surplus). The significant increase in the surplus is principally due to the capital income relating to the TCRD.

RESAS revenue grants awarded this year, including the Strategic Research Programme and Centres of Expertise, were slightly higher than the prior year at £22.8m (2021 £21.7m). Despite the continuing challenges of the pandemic, we were able to progress the agreed deliverables for year six of the extended current programme of research. The year-to-year increase in income on non-RESAS research grants and contracts was also welcome given the continued disrupted operating circumstances, signalling some recovery in our and our partners' activities, although not yet returning to levels forecast before the pandemic. Overall, this is considered a good performance, reflecting the significant efforts by all scientific and professional services team members to find ways to sustain our research activities whenever permitted, possible and safe for our people to do so during the year. Some of the continued lower level of non-RESAS activity will reflect deferred work that will instead be undertaken during 2022/23, subject to any continuing disruption, whether due to the pandemic or stemming from wider European and global issues affecting our partnerships and supply chains. The year remained challenging in terms of securing new awards for future non-RESAS research income. While there were many notable

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successes, continued focus on securing new awards in a highly competitive environment will be essential to realise our growth plans.

The Tay Cities Region Deal investment is a key step in our strategy of seeking to unlock additional value from the site by moving to an Open Science Campus operating model. Having acquired the Invergowrie site from the Scottish Government on 31 March 2021 with the support of TCRD funding, the Institute has moved construction forwards rapidly during 2021/22. Essential enabling works started in April 2021, with one of our primary research polytunnel growing areas having to be relocated, and a new site access road being constructed. Construction of the new barley research facilities and research farm hub then commenced, and these buildings opened in early October 2022. Construction work on the main office and laboratory complex also started in October 2022 following extensive demolition and site clearance work. The pace of our progress during 2021/22 was such that, by the year end, we exceeded our agreed £11.25m drawdown allocation from TCRD funds, and were granted an acceleration of future drawdown, resulting in expenditure and related income recognition of nearly £14m. This expenditure has been capitalised and as at the year end is reflected as assets under construction.

Notwithstanding the significant capital inflow from the TCRD, it remains challenging to secure grants and generate other income to support the wider essential ongoing investment in, and maintenance of, our infrastructure and scientific equipment. Capital grants from the Scottish Government, which have historically been as high as £3.1m a decade ago in 2011 when Hutton was formed, have been increasingly difficult to secure since then. We were delighted that an allocation of £1.3m was made available by RESAS towards the end of the financial year. Just over £1m of the investment supports the enhancement and upgrading of our flux tower network – used for monitoring greenhouse gas emissions across Scotland's peatlands in support of climate-related research – and £250k supports the establishment of a facility to allow research into crop storage – a fundamental element of the modern farm-to-table food chain.

James Hutton Limited (JHL) is a wholly owned subsidiary of the Institute. Its principal activities are to generate commercial income from the exploitation of intellectual property developed at the Institute; to build close relationships with partners across a number of industries including food and drink, Agri-tech, oil and gas and environmental services sectors; and to help diversify the customer base and revenue streams of the Institute. JHL is a key part of our strategy to reduce the reliance of the Institute on government funding and to increase our revenues from income sources that cover their full economic cost (FEC) and provide a contribution to wider Institute activities funded at less than FEC. Analytical Services, which was the area most affected during the COVID-19 disruption due to decreased customer activity, achieved a particularly strong full year outturn, over £200k better than its budget target. Demand for its services picked up consistently during the final quarter. Plant Breeding and Licensing & Sales similarly showed strong recoveries, exceeding their budget targets by over £80k and £60k respectively. Contract Research & Consultancy Services experienced lower activity than hoped for, and finished the year slightly under budget. Bloom Biotechnologies, in which JHL had a 50% shareholding at the year end, continued to explore opportunities in relation to the development of technologies to improve the efficiency of the mass propagation of plants. The £1,040k year on year increase in total income from £3,452k to £4,492k is a strong position from which to consolidate performance and grow further during 2022/23. Throughout the year, JHL continued to place a sustained focus on cost control, drawing on the experience of enforced cost control during the previous year. Costs linked directly with sales did begin to grow again as sales increased, but some marketing, events and travel costs continued to be curtailed due to ongoing working and travel restrictions. Site-related and other discretionary costs remained proportionately somewhat lower than historical levels as many staff continued to work at least partly remotely for much of the period. This continued cost control resulted in overall costs being £60k less than budgeted, limiting the increase in total operating costs from year to year to £313k, supported an increased operating margin. The combination of increased income and managing costs allowed JHL to generate a strong net position, with an operating profit of £746k, which we consider to be a very positive outcome, particularly compared to last year's very marginal operating profit of £19k.

Pay costs year on year have increased £1.0m (5%) from £21.6m to £22.6m. The year-on-year increase reflects higher employee numbers as we have been able to focus more fully this year on our planned investment in staff once COVID-19 disruption lessened. Following the conclusion of a restructuring exercise in late 2019/20, our planned recruitment during 2020/21 to bolster capability in a number of scientific and professional services areas was immediately constrained by the start of the COVID-19 disruption in March 2020, and it was only at the very end of 2020/21 that recruitment was able to resume in earnest. This focus on investment in people was then sustained throughout 2021/22 despite some continued recruitment challenges.

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Non-pay costs have been subject to continued focus during the year following the cost reductions achieved in 2020/21, which were as a direct consequence of reduced on-site activity levels and changes in working patterns due to COVID-19. Although it was not possible or appropriate to sustain all cost reductions as activity began to increase towards more normal levels, the continued focus on cost has limited the year on year increase somewhat. Scientific consumable costs have increased by £1.0m (26%) from £3.9m in 2020/21 to £4.9m in 2021/22. Other non-pay costs, excluding depreciation, have increased by £0.5m (9%) from £6.0m in 2020/21 to £6.5m in 2021/22.

The overall outturn for the year - a surplus of £16.0m, compared to the 2020/21 surplus of £0.9m – reflects most significantly the £13.9m impact of the capital income recognised in relation to TCRD, plus £1.1m of non-recurring capital grant income from RESAS, as well as some net positive impact from non-TCRD activity, where income has exceeded costs. The Directors have taken note of the exceptional nature of the accounting surplus, recognising in particular that it does not represent a step change in the underlying capacity of the Institute to generate and sustain an operating surplus.

### Key Performance Indicators

We use a number of Key Performance Indicators (KPIs) to monitor the performance of financial and non-financial delivery, including total income; financial surplus/deficit; the number of scientific journal papers published; impact assessments; employee numbers; measures of waste recycled and CO<sub>2</sub> emissions. The main financial KPIs are considered in the Financial Review section above. The main non-financial KPIs are:

1. Number of scientific Journal papers published:	354	(2021: 360)
2. Employee numbers:	520	(2021: 500)
3. Percentage of waste recycled:	67%	(2021: 90%) *
4. CO <sub>2</sub> emissions:	2,931 tonnes	(2021: 2,944 tonnes) **

\* Our percentage of waste recycled has been impacted adversely by decant and construction activity related to the TCRD and the asbestos remediation / refurbishment works in Building D at our Invergowrie site.

\*\* CO<sub>2</sub> emissions are reported on broadly the same basis as for the Institute's Public Bodies' Climate Change Duties (PBCCD) report. The scope of CO<sub>2</sub> emissions reporting has increased over time and now includes additional emissions sources including all fuels, rail and car travel, waste and water.

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

### Going Concern

At the time of approving these financial statements, the Board has a reasonable expectation that the Group has adequate resources to continue operations. The Board has taken into account financial performance for the period following the 2021/22 year end up to the date of signing, and also considered assumptions and expectations around future performance. The Board has reviewed the specific possible impacts on Hutton of the current economic climate, including the sustained extreme inflationary pressures and ongoing disruption to global supply chains. The Board has also included consideration of further highly disruptive events – such as further disruption directly or indirectly caused by COVID-19 or a similar pandemic, by events in Ukraine, or by weather-related disruption arising from extended droughts or flooding. The Board's consideration includes assessment of more extreme scenarios that assume significant ongoing reductions in income, coupled with sustained expenditure. The outcome of this analysis demonstrates that the Group is expected to have sufficient cash reserves to enable it to meet its obligations for a period of at least twelve months from the date of signing of these financial statements. The Board therefore consider it appropriate to continue to adopt the going concern basis for preparing these financial statements.

### Outlook

The operating environment is likely to remain challenging in the coming period, although, we hope, also with significant opportunity.

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Although the extensive threats arising from COVID-19 over the past two years appear to be receding, other challenges have emerged. The crisis unfolding in Ukraine due to the Russian invasion in February 2022 is utterly dreadful from a humanitarian perspective. It has also shone a spotlight on the consequences of the interconnectedness of modern society, giving rise to concerns over global energy and food security, and creating a supply chain crisis leading to economic disruption that has exacerbated financial and fiscal pressures already heightened because of the impacts of the pandemic. While the full longer term economic repercussions of the conflict may remain unclear for some time, employers and employees are already struggling with immediate inflationary pressures and it is not clear when these pressures might ease.

In response to the continued macroeconomic challenges, Hutton continues to seek actively to mitigate the risks and identify opportunities aligned with our purposes. We continue to capitalise on the benefits arising from our now established capability for many colleagues to combine site-based and off-site working effectively, both in support of individuals' wellbeing and to optimise our use of available on-site space. We are acutely aware that the opportunity of these new ways of working also brings a collective societal responsibility to ensure we remain fully connected and engaged with one another, so as not to lose the important personal interactions and serendipitous connections that happen when we meet in person.

We remain hugely positive about our scientific mission in the post-COVID-19 recovery period, and in the face of the unquestionable challenge of anthropogenic climate change. We are uniquely aligned to undertake research and to feed into policy development and action planning that addresses the global pressures on land use and the climate. Our scientific teams cover: cell and molecular science; ecological science; environmental and biochemical science; information and computational science, social, economic and geographical science; and biomathematical statistics. Our teams have access to extensive research facilities in laboratories and glasshouses, and on our research farms. Our ability to make significant scientific contributions across multiple priority areas of UK and Scottish government policy is more important and more relevant than ever.

With the Tay Cities Region Deal investment in our Invergowrie site proceeding apace, we are excited about, and preparing for, the opportunities that this investment brings. The construction of the main IBH/APGC building will not conclude until early 2024, but our investment in people is already taking place, so that when the new facility is available, we can immediately start capitalising on the investment in the infrastructure.

More widely, we continue to look at opportunities to invest in support of our International Land Use Study Centre (ILUSC) at our Craigiebuckler Campus, and are actively progressing the possibility of improved access to the site as an initial step. We remain very grateful for the collaborative support provided by the Macaulay Development Trust in relation to ILUSC, and have agreed Heads of Terms around their involvement in the development of the Centre. At Glensaugh Farm we are developing research opportunities in climate-positive farming. At Balruddery Farm we are exploring collaboration opportunities relating to the Tay Cities Region Deal - Angus Fund, as part of the 'CASI' project – the Centre for Agricultural and Sustainable Innovation.

The UK's exit from the EU at the end of 2020 resolved many long-running uncertainties, and the outlook for continued research partnerships with EU-based collaborators initially appeared positive. Recently, progress appears to have slowed, with some of the practical aspects of the UK's interactions with the EU research programme presenting an area of risk for Hutton, both financially and scientifically. Around a third of our current non-RESAS research portfolio relates to EU activity, and EU collaborations remain a key area of focus for us. In early 2022, we were successful in our first awards as part of collaborations under the new Horizon Europe programme and have had further successes since then. The UK government's interim measures to underwrite UK institutions' participation in Horizon Europe are welcome, although the arrangements do still preclude UK institutions from leading EU collaborations, and may expose institutions to some risk in the event the UK policy changes and funding has to be withdrawn in future years. We hope that issues around the UK's participation can be overcome in the near future.

During 2021/22, in collaboration with other Scottish Government Main Research Providers, we agreed with RESAS our collective proposals in support of RESAS' 2022-2027 Strategic Research Programme and for the provision of Underpinning National Capacity services, including Biomathematics & Statistics Scotland, whom Hutton hosts. This secured key grant funding for Hutton for an agreed programme of research activity over a five-year period from 1 April 2022, worth up to £22.1m in the initial 2022/23 financial year. We were also successful in winning competitive tenders as the lead Institution for the Scottish Government's Centre of Expertise on Water ('CREW') and Centre of Expertise Knowledge Exchange and Innovation ('CKEI'), and as a

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collaborator in the Centre of Expertise on Animal Disease Outbreaks ('EPIC') and the Centre of Expertise on Climate Change ('CXC'), led by the Universities of Glasgow and Edinburgh respectively. Initial contracts are for three years, with the opportunity of an extension. The new programme and refreshed arrangements for the Centres of Expertise present a great opportunity to further align and enhance our activity across key areas of Scottish Government science and policy. We look forward to the potential for wider increased investment in line with the UK and Scottish Governments' economic strategies in research, while sustaining our focus on our overall income generation strategy in order to grow both our non-RESAS research income and our commercial revenues.

We also in 2021/22 began to focus more formally on our fundraising strategy, with the recruitment of a Head of Development to lead our efforts. We would hope going forwards to sustain and build on existing relationships such as our longstanding relationship with the Macaulay Development Trust, and also to develop new relationships with other trusts, with corporates and with individuals, where donors' objectives align with Hutton's purpose and our approach to seeking solutions to the challenges facing the use of land and natural resources.

The Executive team and the Board will continue to review and reassess on a regular basis the potential further impact of continued global economic uncertainty on expectations around income generation and costs, to confirm the degree of robustness of the Institute's financial position and to plan mitigations. While there remain many uncertainties, we have a key national and international role to play, and we are optimistic about our prospects.

### Risks

We manage and mitigate risk in a number of ways. These include the use of Risk Registers across the organisation, a Risk Appetite Statement and policies on key operational matters. Our Corporate Risk Register is updated regularly. Each risk is assigned to a Hutton management Committee, and is an agenda item for specific discussion at each meeting. The Executive team also review all corporate risks on a regular basis, and the Risk Register is subject to further review by the Board.

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:

- Any failure in the delivery of our research for RESAS could have significant financial and reputational repercussions given the scale of this multi-year programme.
- Failure to maintain an appropriate balanced portfolio of income that sufficiently reflects FEC – including generating sufficient contribution from non-research income, capitalising on commercial opportunities and our intellectual property, and securing wider funding opportunities – will lead to our being financially unsustainable in the longer term.
- The global repercussions of the crisis in Ukraine, closely following the global disruption caused by the pandemic, in addition to the uncertainties caused by the UK's relationship with the EU, have placed pressures on supply chains and our scientific and business relationships, threatening our ability to continue 'business as usual', increasing the risks to our income and exacerbating cost pressures.
- During our development of multiple concurrent initiatives such as the International Barley Hub, the Advanced Plant Growth Centre, Hydro Nation International, the International Land Use Study Centre, the Glensaugh Climate Positive Farm, and now also the International Potato Innovation Centre there is a risk of overstressing senior colleagues and project teams, with consequent risk to successful delivery while still successfully sustaining day to day activities.
- Loss of key members of our scientific or professional services teams, or an inability to attract/retain team members due to availability of funding, our reward package, our attractiveness as an organisation, a lack of research resources or issues with work permits/visas would damage our ability to deliver our scientific and research objectives.

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

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### Financial instruments and credit risk

Our credit risk is primarily attributable to trade and other debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. We have no history of significant debt write-offs, and no significant concentration of credit risk, with our exposure normally spread over a large number of customers. Our greatest exposure by value to a single party is with the Scottish Government, relating to our work with RESAS (for which we are normally paid monthly in arrears) and our investment in TCRD (the costs of which are reclaimed quarterly in arrears, through Dundee City Council as the primary accountable body for the TCRD).

Our credit risk on liquid funds is considered to be limited, with our counterparties having strong credit ratings from recognised credit-rating agencies. The Institute does not enter into any derivative financial instruments.

The crisis in Ukraine and ongoing COVID-19 disruption do not appear to have created any significant new credit risk issues for us.

### Other Information

#### Payment of Creditors

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

#### Equal Opportunities

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

#### Health and Safety

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

#### Employee Communications

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

Hutton Negotiating and Consultative Committee	Meetings of Union representatives and management, held at least twice per year or more frequently if necessary.
Health, Safety & Welfare Committee	Hutton's main safety committee. Subcommittees meet for laboratory, estates, research farm, policy and genetic modification issues.
Environmental Committee	Employee-led Committee which considers environmental issues, policies and solutions which



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	impact on our people, the Hutton Group and our working environment.
Equality, Diversity and Inclusion Committee	In recognition that our equalities work requires a broad approach and consultation to help us reflect all protected characteristics, the ED&I team oversees Hutton Group's activities around diversity in the workplace.
Health and Safety Manual	All employees are required to familiarise themselves with the online H&S Manual and related Policies and Procedures on appointment. Regular H&S bulletins and updates are issued to ensure continued awareness.
'Connect' intranet Site	Updated daily with news, employee information, blogs and updates.
Employee Bulletin	Circulated weekly by email.
Open House	A regular Hutton-wide forum hosted by the Chief Executive and open to all colleagues. Supports dissemination of information on Hutton's activities, and allows colleagues to raise questions of the Chief Executive and wider leadership team. During 2020/21, Open House moved fully online, and took place fortnightly, with a number of Board Members also attending most sessions. Open House has continued to be key during 2021/22 to providing an ongoing connection with colleagues as the impact of the pandemic ebbed and flowed.
Employee Code	Available on Connect.
Research & Library information	Information on European and UK research initiatives and funding is circulated at least weekly, and information on new library resources is circulated on a regular basis, as required.

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

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

### Evaluating Quality of Service

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

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### Environment, Energy and Carbon

#### Overview

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

In accordance with the Streamlined Energy and Carbon Reporting Regulations we report specific energy- and carbon-related information annually. All figures reported are equivalent to our submission to Scottish Government under the Public Bodies' Climate Change Duties (PBCCD) reporting requirements, except for water, as emission factors differ between BEIS/DEFRA factors and PBCCD factors. All published group PBCCD reports can be viewed on our website at [www.hutton.ac.uk/about/documents](http://www.hutton.ac.uk/about/documents) and provide further detail on the methodology.

Due to restrictions that continued to varying degrees throughout 2021/22 in response to the COVID-19 pandemic, our transport and travel emissions in particular have remained lower than pre-pandemic levels. Many of our people continued to work remotely for extended periods during 2021/22, with continued significant constraints on colleagues' ability to attend our sites, to travel between sites, and to visit events, collaborators and business partners nationally and internationally. As the country relaxed restrictions, many staff moved formally to ongoing flexible working arrangements, which will have enduring benefits in terms of our sustainability goals. While we do expect that work-related travel will increase as 2022/23 progresses, and we resume activities that were avoidable in the short term but are necessary in the longer term, we will nonetheless aim to sustain as many as possible of the positive lessons learned from the pandemic-enforced rethinking of our ways of working.

#### Total Greenhouse Gas emissions

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

	<b>2021/22</b> GHG Emissions (tCO <sub>2e</sub> )	<b>2020/21</b> GHG Emissions (tCO <sub>2e</sub> )
Energy Consumption and GHG emissions	2,878	2,921
Other material sources of GHG emissions (Scope 3)	53	23
<b>TOTAL EMISSIONS</b>	<b>2,931</b>	<b>2,944</b>

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

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*Energy Consumption and Greenhouse Gas emissions*

	<b>2021/22</b>		<b>2020/21</b>	
	Energy consumption (MWh, Net Calorific Value for fuels)	Resultant GHG Emissions (tCO <sub>2e</sub> )	Energy consumption (MWh, Net Calorific Value for fuels)	Resultant GHG Emissions (tCO <sub>2e</sub> )
Natural Gas	7,598	1,392	7,237	1,331
Electricity	5,749	1,328	5,640	1,343
Transport & Machinery Fuels				
...Diesel	593	149	940	240
...Petrol	33	8	26	6
...LPG / Propane	4	1	3	1
...Kerosene / Burning Oil	-	-	-	-
Fuels total	630	158	969	247
<b>ENERGY TOTAL</b>	<b>13,977</b>	<b>2,878</b>	<b>13,846</b>	<b>2,921</b>

*Other material sources of Greenhouse Gas emissions (Scope 3)*

	<b>2021/22</b>		<b>2020/21</b>	
	Footprint (units are source-specific)	Resultant GHG Emissions (tCO <sub>2e</sub> )	Footprint (units are source-specific)	Resultant GHG Emissions (tCO <sub>2e</sub> )
Travel				
...Domestic flights ('000 passenger-km)	22	5	2	-
...Short-haul flights ('000 passenger-km)	93	14	6	1
...Long-haul flights ('000 passenger-km)	48	9	50	10
...Rail ('000 passenger-km)	65	2	5	-
...Employee car mileage claimed as expenses ('000 km)	106	18	39	7
Travel total ('000 passenger-km)	334	48	102	18
Waste (tons)	191	3	174	3
Water ('000 m <sup>3</sup> supplied)	29	5	16	2
<b>OTHER SOURCES TOTAL</b>		<b>56</b>		<b>23</b>

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*Intensity Ratios*

We report below two intensity ratios:

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

	2021/22		2020/21	
	Metric value	Intensity ratio	Metric value	Intensity ratio
Average number of employees during the year (FTE)	492	6.0 tCO <sub>2e</sub> per person	500	5.9 tCO <sub>2e</sub> per person
Group turnover	£51.5m	57.0 tCO <sub>2e</sub> per £1m	£39.2m	75.6 tCO <sub>2e</sub> per £1m

The per employee intensity ratio shows a slight deterioration from 2020/21 to 2021/22, reflecting the positive impact of the small decrease in total emissions, offset by the small decrease in the average number of employees.

The very significant apparent improvement in the turnover intensity ratio reflects the large favourable impact of the increase in capital income, principally from TCRD, which greatly outweighs the much smaller adverse impact of the slight increase in total emissions. If capital income were excluded from turnover, the intensity ratios based on only revenue income would reflect a smaller improvement:

	2021/22		2020/21	
	Metric value	Intensity ratio	Metric value	Intensity ratio
Group turnover excluding capital income	£36.5m	80.3 tCO <sub>2e</sub> per £1m	£33.9m	86.8 tCO <sub>2e</sub> per £1m

We continue to take action, as outlined below, with a view to reducing our emissions and improving our intensity ratios.

*Energy Efficiency Action*

Financial year 2020/21 was a completely unprecedented year for emissions because of the impact of COVID-19 on our activities and in particular the restrictions on on-site working. Although restrictions were still in place to varying degrees throughout most of 2021/22, activity was in general less constrained than 2020/21, allowing greater on-site activity; positively, this did not result in materially greater gas- and electricity-related emissions. The challenge highlighted by the low levels of activity in 2020/21 remains at the forefront of our minds, however, which is that the scale of our energy efficiency challenge is significant: even with the majority of our people working off-site for extended periods, and our building occupancy therefore well below pre-pandemic levels, our sites still used more than 90% of the energy that they would have under full occupancy. This principally reflects our necessary use of extensive heated and lit research glasshouse space as well as the inherent low energy efficiency of many of our buildings due to their age and construction. Additionally, some countervailing factors arose from ensuring we made the necessary responses to COVID to protect our people – for example, previous efficiency improvements to the heat distribution system at our Craigiebuckler site were reversed by the need to increase the amount of fresh air provided to building occupants. As we return to hopefully less pandemic-disrupted working during 2022/23, and establish our 'new normal', we are looking very actively at the actions we need to take to mitigate and decrease our energy footprint, including how we might fund the potentially sizeable investment needed to upgrade our infrastructure to achieve this.

Retaining much of the reduction in work-related travel into future years will be essential to meet our long-term emissions reductions targets. We are focusing on finding the balance between the ongoing opportunities of

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remote working technologies to reduce travel, and the need to provide sufficient opportunities for the in-person interactions that remain hugely important to the success of our work. It is notable that, even as travel restrictions eased, and work-related travel increased in 21/22 – tripling from 102,000 passenger-km in 20/21 to 334,000 passenger-km in 21/22 – it still remained massively below pre-COVID levels (3.3 million passenger-km in 19/20).

Action on renewable energy supplies continued in 2021/22. Our electricity supply remains entirely backed by Renewable Energy Guarantees of Origin (REGOs) through our supplier EDF. The work on the Invergowrie solar meadow project also continued through detailed design and planning, and we continue to progress this exciting opportunity during 2022/23. Although we have obtained planning approval in principle for a ground-source heat pump system to heat the Invergowrie glasshouses, we have as yet not identified a funding solution, and continue to explore options.

### **Access to Information and Data**

Our policy regarding access to information derived from programmes of research commissioned by RESAS balances the principles and objectives of open access and open government – principles that the Institute fully supports – with the expectation that we should also seek, where appropriate, to market our intellectual property through copyright, licence or patent. Access to information and data arising from other contracts is subject to the conditions agreed with the client.

### **Statement of disclosure to auditor**

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

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

### **Auditors**

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

On behalf of the Board of Directors



Dr Ian Gambles  
Chair

21 December 2022

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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 2022 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 2022, and of the group's and parent charitable company's incoming resources and application of resources, including the group's and parent charitable company's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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

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

### **Other information**

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

### **Responsibilities of trustees**

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

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

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

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

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

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

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

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

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

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

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

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

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

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance; and
- enquiring of management as to actual and potential litigation and claims.

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

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



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

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

**Use of our report**

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



**Antony J Sinclair BAcc CA (Senior Statutory Auditor)**

for and on behalf of  
**French Duncan LLP**

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

Date: 21 December 2022

French Duncan 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 2022**

	Note	Unrestricted Funds	Restricted Funds	Endowment Funds	Total Funds 2022	Total Funds 2021
		£000	£000	£000	£000	£000
<b>Income and endowments from:</b>						
Other trading activities	7	4,492	-	-	4,492	3,452
Investments	5	15	-	10	25	39
Charitable activities	3	1,330	45,810	-	47,140	35,750
<b>Total income and endowments</b>		<b>5,837</b>	<b>45,810</b>	<b>10</b>	<b>51,657</b>	<b>39,241</b>
<b>Expenditure on:</b>						
Raising funds	7	3,746	-	-	3,746	3,433
Charitable activities	6	1,519	30,322	-	31,841	34,967
<b>Total expenditure</b>		<b>5,265</b>	<b>30,322</b>	<b>-</b>	<b>35,587</b>	<b>38,400</b>
Net gains on fixed asset investments	9	-	-	12	12	68
<b>Net income</b>		<b>572</b>	<b>15,488</b>	<b>22</b>	<b>16,082</b>	<b>909</b>
Taxation		(79)	-	-	(79)	(57)
Transfers between funds		786	(786)	-	-	-
<b>Net movement in funds</b>	26	<b>1,279</b>	<b>14,702</b>	<b>22</b>	<b>16,003</b>	<b>852</b>
Balances at 1 April 2021		5,272	17,829	404	23,505	22,653
<b>Balance at 31 March 2022</b>		<b>6,551</b>	<b>32,531</b>	<b>426</b>	<b>39,508</b>	<b>23,505</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 25 and 26.

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

The notes on pages 28 to 47 form part of these financial statements.

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

**INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDED 31 MARCH 2022**

	Note	Group		Institute	
		2022	2021	2022	2021
		£000	£000	£000	£000
<b>Income:</b>					
Grants from RESAS	2	<b>23,859</b>	22,007	<b>23,859</b>	22,007
Research grants and contracts	3	<b>7,783</b>	6,619	<b>7,783</b>	6,619
Tay Cities Region Deal grants	3	<b>13,885</b>	5,100	<b>13,885</b>	5,100
Intercompany charges		-	-	<b>1,639</b>	1,542
Gift aid received		-	-	-	-
Other income	3	<b>1,613</b>	2,024	<b>1,613</b>	2,024
Trading income from subsidiaries	7	<b>4,492</b>	3,452	-	-
Gains on fixed asset investments	9	<b>12</b>	68	<b>12</b>	68
Interest and investment income	5	<b>25</b>	39	<b>24</b>	37
<b>Gross income</b>		<b>51,669</b>	39,309	<b>48,815</b>	37,397
<b>Expenditure:</b>					
Staff costs		<b>22,604</b>	21,630	<b>21,259</b>	20,330
Scientific consumables		<b>4,924</b>	3,857	<b>4,511</b>	3,582
Depreciation	8	<b>1,451</b>	2,203	<b>1,274</b>	2,027
Asset Impairment		-	4,761	-	4,761
Other costs	30	<b>6,608</b>	5,949	<b>6,436</b>	5,809
<b>Total expenditure</b>		<b>35,587</b>	38,400	<b>33,480</b>	36,509
<b>Net income before tax</b>		<b>16,082</b>	909	<b>15,335</b>	888
Tax payable		<b>(79)</b>	(57)	-	-
<b>Net income</b>		<b>16,003</b>	852	<b>15,335</b>	888

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

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

The notes on pages 28 to 47 form part of these financial statements.

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


**BALANCE SHEETS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

	Note	Group		Institute	
		2022	2021	2022	2021
		£000	£000	£000	£000
<b>Fixed Assets:</b>					
Tangible assets	8	32,709	18,662	32,426	18,228
Investments	9	354	242	254	242
		<u>33,063</u>	<u>18,904</u>	<u>32,680</u>	<u>18,470</u>
<b>Current Assets:</b>					
Stocks	10	238	216	238	216
Debtors	11	12,215	5,335	10,692	4,460
Cash at bank and in hand		7,116	4,893	6,445	4,371
Investments - bank deposit accounts	12	532	5,152	11	4,632
		<u>20,101</u>	<u>15,596</u>	<u>17,386</u>	<u>13,679</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(13,441)</u>	<u>(10,577)</u>	<u>(12,819)</u>	<u>(10,032)</u>
<b>Net Current Assets</b>		<u>6,660</u>	<u>5,019</u>	<u>4,567</u>	<u>3,647</u>
<b>Total assets less current liabilities</b>		<u>39,723</u>	<u>23,923</u>	<u>37,247</u>	<u>22,117</u>
<b>Creditors: amounts falling due after more than one year</b>	14	(156)	(361)	(156)	(361)
<b>Provision for liabilities</b>		(59)	(57)	-	-
<b>Net Assets</b>	19	<u>39,508</u>	<u>23,505</u>	<u>37,091</u>	<u>21,756</u>
<b>Funds of the charity</b>					
Endowment funds	16	426	404	426	404
Restricted funds	17	32,531	17,829	32,531	17,829
Unrestricted funds	18	6,551	5,272	4,134	3,523
<b>Total charity funds</b>	19	<u>39,508</u>	<u>23,505</u>	<u>37,091</u>	<u>21,756</u>

These financial statements were approved by the Board on 21 December 2022 and were signed on its behalf by:



Dr Ian Gambles  
Chair



Iain Reid  
Director

The notes on pages 28 to 47 form part of these financial statements.

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

**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2022**

	Note	2022 £000	2021 £000
<b>Net cash (used in)/provided by operating activities</b>	20	<b>(1,479)</b>	4,653
<b>Investing activities</b>			
Purchase of tangible fixed assets		<b>(15,510)</b>	(2,039)
Purchase of investments		<b>(100)</b>	-
Proceeds on disposal of tangible fixed assets		<b>14</b>	64
Bank interest received		<b>15</b>	30
Dividends received		<b>10</b>	9
Capital grants received		<b>14,940</b>	1,711
<b>Net cash flow from investing activities</b>		<b>(631)</b>	(225)
<b>Financing activities</b>			
Capital element of hire purchase repayments		<b>(287)</b>	(330)
<b>Net cash flow from financing activities</b>		<b>(287)</b>	(330)
<b>Change in cash and cash equivalents</b>		<b>(2,397)</b>	4,098
Cash and cash equivalents at start of reporting period	21	<b>10,045</b>	5,947
Cash and cash equivalents at end of reporting period	21	<b>7,648</b>	10,045

The notes on pages 28 to 47 form part of these financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

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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 on page 2 of these financial statements. The nature of the charity's operations and principal activities are set out within the Trustees' report on pages 3 to 19.

**General information and basis of preparation**

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

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

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

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

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

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

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

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

**Going concern**

At the time of approving these financial statements, the Board has a reasonable expectation that the Group has adequate resources to continue operations. The Board has taken into account financial performance for the period following the 2021/22 year end up to the date of signing, and also considered assumptions and expectations around future performance. The Board has reviewed the specific possible impacts on Hutton of the current economic climate, including the sustained extreme inflationary pressures and ongoing disruption to global supply chains. The Board has also included consideration of further highly disruptive events – such as further disruption directly or indirectly caused by COVID-19 or a similar pandemic, by events in Ukraine, or by weather-related disruption arising from extended droughts or flooding. The Board's consideration includes assessment of more extreme scenarios that assume significant ongoing reductions in income, coupled with sustained expenditure. The outcome of this analysis demonstrates that the Group is expected to have sufficient cash reserves to enable it to meet its obligations for a period of at least twelve months from the date of signing of these financial statements. The Board therefore consider it appropriate to continue to adopt the going concern basis for preparing these financial statements.

**Basis of consolidation**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

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**1 Principal accounting policies (continued)**

**Gift aid distributions**

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

**Government Grants**

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

**Grants and contract income from external sources**

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

**Resources Expended**

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

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

**Intangible fixed assets**

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

**Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation.

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

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

Assets under construction are not depreciated until the asset has been brought into use.

No depreciation is provided on heritable land.

**Impairment of fixed assets**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

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**1 Principal accounting policies (continued)**

**Fixed asset investments**

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

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

**Current asset investments**

Investments are in relation to fixed term bank deposit accounts.

**Investment income**

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

**Stocks**

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

**Fund accounting**

Funds held by the Institute are classified as:

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

**Financial Instruments**

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

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

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

**Basic financial assets**

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



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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

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**1 Principal accounting policies (continued)**

***Impairment of financial assets***

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

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

***Derecognition of financial assets***

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

***Basic financial liabilities***

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

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

***Classification of financial liabilities***

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

***Derecognition of financial liabilities***

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

**Taxation**

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

**Foreign currencies**

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

**Research and development expenditure**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

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**1 Principal accounting policies (continued)**

**Finance and operating leases**

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

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

**Employee benefits**

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

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

**Post retirement benefits**

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

Details of the pension schemes are given in note 24.

**Critical accounting estimates and judgements**

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

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

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

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

**THE JAMES HUTTON INSTITUTE**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

**2 Grants received from RESAS**

	<b>2022</b>	2021
	<b>£000</b>	£000
<b>Group and Institute</b>		
Opening deferred income	1,937	735
Grants for current expenditure	22,804	21,696
Grants for capital expenditure	1,278	1,513
	<u>26,019</u>	<u>23,944</u>
Income deferred - RESAS, Asbestos remedial work	(883)	(1,873)
- Other capital expenditure grants	(1,277)	(64)
	<u>23,859</u>	<u>22,007</u>

All amounts included above are attributable to restricted funds.

**3 Income and endowments from charitable activities**

	<b>2022</b>	2021
	<b>£000</b>	£000
<b>Group</b>		
RESAS grants for revenue expenditure	22,804	21,696
RESAS grants for capital expenditure	1,055	311
Tay Cities Region Deal for capital expenditure	13,885	5,100
Grants from MDT for revenue expenditure	273	299
Other grants and contract income of Institute	7,510	6,320
Other income	1,613	2,024
Total incoming resources from charitable activities	<u>47,140</u>	<u>35,750</u>
<b>Attributable to funds as follows:</b>		
Restricted funds	45,810	34,766
Unrestricted funds	1,330	984
	<u>47,140</u>	<u>35,750</u>

**Analysis of other income**

	<b>2022</b>	2021
	<b>£000</b>	£000
<b>Group and Institute</b>		
Facilities income	226	226
Furlough subsidy	18	623
Centre for Knowledge	185	200
Other rental income	87	61
Student fees	2	21
Services	124	97
Farm income	684	564
Other sundry income	287	232
	<u>1,613</u>	<u>2,024</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

**4 Employee information**

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

	<b>2022</b>	2021
	<b>Number</b>	Number
Scientific	<b>367</b>	359
Other	<b>153</b>	141
	<u><b>520</b></u>	<u>500</u>
	<b>£000</b>	£000
Employee costs		
Wages and salaries	<b>18,269</b>	17,493
Social security costs	<b>1,576</b>	1,523
Other pension costs	<b>2,710</b>	2,578
Other benefits	<b>49</b>	36
<b>Total direct costs of employment</b>	<u><b>22,604</b></u>	<u>21,630</u>

Other benefits represents redundancy and ex-gratia payments paid to 8 employees (2021: 11). The group policy for redundancy entitlement is:

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

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

	<b>2022</b>	2021
	<b>£</b>	£
Ian Gambles	<b>30,000</b>	19,500
Deborah Keith	<b>12,000</b>	12,000
Iain Reid	<b>12,000</b>	5,000
Susan Davies	<b>12,000</b>	3,548
Alyson Tobin	<b>12,000</b>	3,548
James Curran	-	17,500
Joan MacNaughton	-	8,484
Stephen Hall	-	8,484
	<u><b>78,000</b></u>	<u>78,064</u>
The following JHL directors received remuneration of:		
Anne Maccoll Turpin	<b>6,000</b>	6,000
Robin Walker	<b>6,000</b>	6,000
	<u><b>12,000</b></u>	<u>12,000</u>
	<u><b>90,000</b></u>	<u>90,064</u>

Travel and subsistence expenses of £4,441 (2021: £1,069) were reimbursed to 8 members of the Board (2021: 3 members).

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**4 Employee information (cont.)**

The remuneration of the highest paid employee during the year was £155,513 (2021: £154,500).

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

<b>2022</b>	2021
£	£
<b><u>769,364</u></b>	<u>748,326</u>

The number of key management personnel during the year was 5 full-time and 1 part-time (2021: 5 full-time and 1 part-time).

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

	<b>2022</b>	2021
	<b>Number</b>	Number
£60,000 - £69,999	<b>13</b>	18
£70,000 - £79,999	<b>8</b>	6
£80,000 - £89,999	<b>3</b>	1
£90,000 - £99,999	<b>1</b>	2
£100,000 - £109,999	<b>2</b>	1
£150,000 - £159,999	<b>1</b>	1
	<b><u>28</u></b>	<u>29</u>

Total pension contributions payable in relation to the above staff in the year amounted to £287,571 (2021 - £281,390).

**5 Investment Income**

	<b>Group</b>		<b>Institute</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>£000</b>	£000	<b>£000</b>	£000
Dividends from listed investments	<b>10</b>	9	<b>10</b>	9
Bank interest	<b>15</b>	30	<b>14</b>	28
	<b><u>25</u></b>	<u>39</u>	<b><u>24</u></b>	<u>37</u>
<b>Attributable to funds as follows:</b>				
Endowment funds	<b>10</b>	9	<b>10</b>	9
Unrestricted funds	<b>15</b>	30	<b>14</b>	28
	<b><u>25</u></b>	<u>39</u>	<b><u>24</u></b>	<u>37</u>

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<b>6 Expenditure</b>	<b>Group</b>	
	<b>2022</b>	2021
	<b>£000</b>	£000
<b>Expenditure on charitable activities</b>		
Scientific staff costs	<b>15,401</b>	14,804
Support staff costs	<b>4,839</b>	4,586
	<b>20,240</b>	19,390
Scientific consumables	<b>4,510</b>	3,580
PhD fees, stipends and other costs	<b>165</b>	160
Depreciation	<b>1,274</b>	2,027
Impairment of assets	<b>-</b>	4,761
Support costs	<b>5,512</b>	4,958
Governance costs	<b>140</b>	91
	<b>31,841</b>	34,967
<b>Attributable to funds as follows:</b>		
Restricted funds	<b>30,322</b>	33,794
Unrestricted funds	<b>1,519</b>	1,173
	<b>31,841</b>	34,967
<b>Support costs</b>		
Rent and utilities	<b>1,408</b>	1,395
Communications and telephones	<b>93</b>	82
Technical services	<b>581</b>	507
ITS costs	<b>941</b>	938
Library and data manager	<b>382</b>	423
Property maintenance and service and cleaning	<b>1,096</b>	769
Other	<b>1,637</b>	1,446
	<b>6,138</b>	5,560
Recharged and included in expenditure of trading subsidiaries	<b>(626)</b>	(602)
	<b>5,512</b>	4,958
<b>Governance costs</b>		
	<b>2022</b>	2021
	<b>£000</b>	£000
Auditor's remuneration (Institute)		
- audit	<b>29</b>	23
- taxation services	<b>-</b>	-
- other services	<b>-</b>	-
Other governance costs	<b>105</b>	60
	<b>134</b>	83
Auditor's remuneration included in expenditure of trading subsidiaries		
- audit	<b>4</b>	5
- taxation services	<b>2</b>	3
	<b>140</b>	91

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**7 Income and expenditure of trading subsidiaries**

	<b>Group</b>	
	<b>2022</b>	2021
	<b>£000</b>	£000
Other trading activities	<b>4,492</b>	3,452
Raising funds	<b>(3,746)</b>	(3,433)
Net income before interest	<u><b>746</b></u>	<u>19</u>

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

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**8 Tangible Fixed Assets**

Group	Under	Freehold	Leasehold	Plant,	Motor	Total
	Construction	Land and Buildings	Improvements	Machinery and equipment	Vehicles	
	£000	£000	£000	£000	£000	£000
<b>Cost</b>						
At beginning of year	1,467	20,881	256	34,878	1,327	58,809
Additions	14,712	-	-	783	15	15,510
Disposals	-	-	(17)	(2)	(29)	(48)
At end of year	16,179	20,881	239	35,659	1,313	74,271
<b>Depreciation</b>						
At beginning of year	-	8,083	101	31,034	929	40,147
Charge for year	-	285	13	1,069	84	1,451
Disposals	-	-	(10)	(2)	(24)	(36)
At end of year	-	8,368	104	32,101	989	41,562
<b>Net book value</b>						
<b>At 31 March 2022</b>	<b>16,179</b>	<b>12,513</b>	<b>135</b>	<b>3,558</b>	<b>324</b>	<b>32,709</b>
At 31 March 2021	1,467	12,798	155	3,844	398	18,662
<b>Institute</b>						
	Under	Freehold	Leasehold	Plant,	Motor	Total
	Construction	Land and Buildings	Improvements	Machinery and equipment	Vehicles	
	£000	£000	£000	£000	£000	£000
<b>Cost</b>						
At beginning of year	1,467	20,881	256	33,450	1,327	57,381
Additions	14,712	-	-	757	15	15,484
Disposals	-	-	(17)	(2)	(29)	(48)
At end of year	16,179	20,881	239	34,205	1,313	72,817
<b>Depreciation</b>						
At beginning of year	-	8,083	101	30,040	929	39,153
Charge for year	-	285	13	892	84	1,274
Disposals	-	-	(10)	(2)	(24)	(36)
At end of year	-	8,368	104	30,930	989	40,391
<b>Net book value</b>						
<b>At 31 March 2022</b>	<b>16,179</b>	<b>12,513</b>	<b>135</b>	<b>3,275</b>	<b>324</b>	<b>32,426</b>
At 31 March 2021	1,467	12,798	155	3,410	398	18,228



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**8 Tangible Fixed Assets (continued)**

**Group and Institute**

Included within freehold land and buildings is undepreciated land of £7,616,166 (2021 - £7,616,166).

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

	<b>2022</b>	2021
	<b>£000</b>	£000
Motor vehicles	<b>220</b>	378
Plant, machinery and equipment	<b>479</b>	678
	<u><b>699</b></u>	<u>1,056</u>
Depreciation charged in year in respect of leased assets	<u><b>207</b></u>	<u>194</u>

**9 Fixed Asset Investments**

	<b>Group</b>		<b>Institute</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>£000</b>	£000	<b>£000</b>	£000
<b>Listed Investments</b>				
At beginning of year	<b>242</b>	174	<b>242</b>	174
Unrealised gain on revaluation	<b>12</b>	68	<b>12</b>	68
At end of year	<u><b>254</b></u>	<u>242</u>	<u><b>254</b></u>	<u>242</u>
Historical cost at 31 March 2022	<u><b>65</b></u>	<u>65</u>	<u><b>65</b></u>	<u>65</u>
<b>Unlisted Investments</b>				
Additions during year	<b>100</b>	-	-	-
Historical cost at 31 March 2022	<u><b>100</b></u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Investments at 31 March 2022</b>	<u><b>354</b></u>	<u><b>242</b></u>	<u><b>254</b></u>	<u><b>242</b></u>

	<b>Group</b>		<b>Institute</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>£000</b>	£000	<b>£000</b>	£000
Unrealised gain on fixed asset investments	<u><b>12</b></u>	<u>68</u>	<u><b>12</b></u>	<u>68</u>
Attributable to funds as follows:				
Endowment funds	<b>12</b>	68		
Restricted funds	<b>-</b>	-		
	<u><b>12</b></u>	<u>68</u>		

**10 Stocks**

	<b>Group</b>		<b>Institute</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>£000</b>	£000	<b>£000</b>	£000
Farm Stock	<b>217</b>	190	<b>217</b>	190
Other	<b>21</b>	26	<b>21</b>	26
	<u><b>238</b></u>	<u>216</u>	<u><b>238</b></u>	<u>216</u>

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**11 Debtors**

	Group		Institute	
	2022	2021	2022	2021
	£000	£000	£000	£000
Trade debtors	1,082	653	-	-
Amounts due from group undertakings	-	-	180	154
Other debtors	8,827	1,312	8,827	1,312
Loan to Associated Company	356	188	-	-
Prepayments and accrued income	1,055	2,405	906	2,250
Corporation tax debtor	87	-	-	-
Amounts recoverable on research grants and contracts	754	777	725	744
Amounts recoverable re Tay Cities Region Deal	54	-	54	-
	<u>12,215</u>	<u>5,335</u>	<u>10,692</u>	<u>4,460</u>

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

	2022	2021	2022	2021
	£000	£000	£000	£000
Other debtors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**12 Current asset investments**

	Group		Institute	
	2022	2021	2022	2021
	£000	£000	£000	£000
Bank deposit accounts	<u>532</u>	<u>5,152</u>	<u>11</u>	<u>4,632</u>

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

	Group		Institute	
	2022	2021	2022	2021
	£000	£000	£000	£000
Trade creditors	4,739	946	4,720	896
Taxation and social security costs	584	536	438	436
Other creditors	353	484	315	467
Accruals and deferred income	3,372	3,229	3,215	3,124
Hire purchase creditors	205	287	205	287
Research grants and contract income received in advance	4,188	5,095	3,926	4,822
	<u>13,441</u>	<u>10,577</u>	<u>12,819</u>	<u>10,032</u>

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

	<b>Group</b>		<b>Institute</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>£000</b>	£000	<b>£000</b>	£000
Hire purchase and finance lease creditors:-				
within 1 - 2 years	<b>98</b>	205	<b>98</b>	205
within 2 - 5 years	<b>58</b>	156	<b>58</b>	156
	<u><b>156</b></u>	<u>361</u>	<u><b>156</b></u>	<u>361</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:**

	<b>Group</b>		<b>Institute</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>£000</b>	£000	<b>£000</b>	£000
Financial assets measured at fair value through net income / expenditure	<u><b>254</b></u>	<u>242</u>	<u><b>254</b></u>	<u>242</u>
Financial assets that are debt instruments measured at amortised cost	<u><b>18,938</b></u>	<u>14,541</u>	<u><b>16,352</b></u>	<u>12,708</u>
Financial liabilities measured at amortised cost	<u><b>6,161</b></u>	<u>3,008</u>	<u><b>5,947</b></u>	<u>2,853</u>

**16 Endowment funds**

	<b>Lewis Endowment Fund</b>	
	<b>2022</b>	2021
	<b>£000</b>	£000
Income	10	9
Expenditure	-	-
	<u>10</u>	<u>9</u>
Unrealised gain on revaluation of investments	12	68
At beginning of year	404	327
<b>At end of year</b>	<u><b>426</b></u>	<u><b>404</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**

(a) Restricted capital reserves	<b>Group and Institute</b>	
	<b>2022</b>	2021
	<b>£000</b>	£000
At beginning of year	<b>17,829</b>	17,637
RESAS grants for capital expenditure	<b>1,055</b>	311
Tay Cities Region Deal for capital expenditure	<b>13,885</b>	5,100
Other grant funding and external contracts	<b>765</b>	1,364
Depreciation	<b>(992)</b>	(1,796)
Impairment of leasehold improvements	-	(4,761)
Disposal of fixed assets	<b>(11)</b>	(26)
<b>At end of year</b>	<b><u>32,531</u></b>	<u>17,829</u>

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

(b) Other restricted reserves	<b>Group and Institute</b>	
	<b>2022</b>	2021
	<b>£000</b>	£000
At beginning of year	-	-
Income	<b>30,116</b>	27,991
Expenditure	<b>(29,330)</b>	(27,211)
Transfer from other restricted reserves (Note 18)	<b>(786)</b>	(780)
<b>At end of year</b>	<b><u>-</u></b>	<u>-</u>

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

**18 Unrestricted funds**

	<b>Institute</b>	<b>JHL</b>	<b>Group</b>	Group
	<b>2022</b>	<b>2022</b>	<b>2022</b>	2021
	<b>£000</b>	<b>£000</b>	<b>£000</b>	£000
Beginning of year	3,523	1,749	<b>5,272</b>	4,689
Net (expenditure) / income	(175)	668	<b>493</b>	(197)
Transfer from other restricted reserves	786	-	<b>786</b>	780
<b>At end of year</b>	<b><u>4,134</u></b>	<b><u>2,417</u></b>	<b><u>6,551</u></b>	<u>5,272</u>

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

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**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 2022</b>				
Fixed assets	2,437	30,372	254	<b>33,063</b>
Current assets	17,770	2,159	172	<b>20,101</b>
Total creditors	(13,656)	-	-	<b>(13,656)</b>
<b>Net assets</b>	<b>6,551</b>	<b>32,531</b>	<b>426</b>	<b>39,508</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 2021</b>				
Fixed assets	2,772	15,890	242	<b>18,904</b>
Current assets	13,495	1,939	162	<b>15,596</b>
Total creditors	(10,995)	-	-	<b>(10,995)</b>
<b>Net assets</b>	<b>5,272</b>	<b>17,829</b>	<b>404</b>	<b>23,505</b>

**Institute**

	<b>Unrestricted Funds £000</b>	<b>Restricted Funds £000</b>	<b>Endowment Funds £000</b>	<b>Total Funds £000</b>
<b>At 31 March 2022</b>				
Fixed assets	2,054	30,372	254	<b>32,680</b>
Current assets	15,055	2,159	172	<b>17,386</b>
Total creditors	(12,975)	-	-	<b>(12,975)</b>
<b>Net assets</b>	<b>4,134</b>	<b>32,531</b>	<b>426</b>	<b>37,091</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 2021</b>				
Fixed assets	2,338	15,890	242	<b>18,470</b>
Current assets	11,578	1,939	162	<b>13,679</b>
Total creditors	(10,393)	-	-	<b>(10,393)</b>
<b>Net assets</b>	<b>3,523</b>	<b>17,829</b>	<b>404</b>	<b>21,756</b>

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**20 Reconciliation of net income to net cash flow from operating activities**

	<b>2022</b>	2021
	<b>£000</b>	£000
<b>Group</b>		
Net income	<b>16,003</b>	852
Depreciation	<b>1,451</b>	2,203
Taxation	<b>2</b>	57
Impairment of assets	-	4,761
Capital grants credited to income and expenditure account	<b>(14,940)</b>	(1,711)
Direct transfer of assets	-	(3,700)
Dividends and interest received	<b>(25)</b>	(39)
Net (gain) on fixed assets	<b>(14)</b>	(106)
(Increase) in stock	<b>(22)</b>	(13)
(Increase) in debtors	<b>(6,880)</b>	(4)
Increase in creditors	<b>2,946</b>	2,353
<b>Net cash (used in)/provided by operating activities</b>	<b><u>(1,479)</u></b>	<b><u>4,653</u></b>

**21 Components of cash and cash equivalents**

	<b>2022</b>	2021
	<b>£000</b>	£000
Cash at bank and in hand	7,116	4,893
Investments - bank deposit accounts	532	5,152
	<b><u>7,648</u></b>	<b><u>10,045</u></b>

**22 Reconciliation of net debt**

	<b>At 31 March 2021</b>	<b>Cash flows</b>	<b>New finance leases</b>	<b>Foreign exchange movements</b>	<b>At 31 March 2022</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash	4,893	2,221	-	2	<b>7,116</b>
Cash equivalents	5,152	(4,620)	-	-	<b>532</b>
Finance lease obligations	(648)	287	-	-	<b>(361)</b>
<b>TOTAL</b>	<b><u>9,397</u></b>	<b><u>(2,112)</u></b>	<b><u>-</u></b>	<b><u>2</u></b>	<b><u>7,287</u></b>

**23 Capital commitments**

At the year end, the Group was committed to purchasing tangible fixed assets of £954k of which £689k related to the Institute (2021 – Group £346k and Institute £332k).

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**24 Pension Scheme**

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

During the year contributions payable by the Group amounted to £2,579k (2021 - £2,460k), excluding life cover. Outstanding contributions at 31 March 2022 were £425k (2021 - £352k).

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.

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

**25 Operating lease obligations**

At 31 March 2022 the Institute had total future minimum lease payments under non-cancellable operating leases as follows:

	<b>2022</b>	2021
	<b>£000</b>	£000
<b>Group and Institute</b>		
Within 1 year	<b>47</b>	102
Between 2 and 5 years	<b>123</b>	284
After more than 5 years	<b>912</b>	1,153
	<b><u>1,082</u></b>	<u>1,539</u>

**26 Reconciliation of movement in reserves**

	<b>Group</b>		<b>Institute</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>£000</b>	£000	<b>£000</b>	£000
Opening reserves	<b>23,505</b>	22,653	<b>21,756</b>	20,868
Surplus for the financial year	16,003	852	15,335	888
Closing reserves	<b><u>39,508</u></b>	<u>23,505</u>	<b><u>37,091</u></b>	<u>21,756</u>

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**27 Related party transactions**

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

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

The Institute holds 100% of the issued ordinary share capital (2 ordinary shares of £1 each) of James Hutton Limited (JHL), a company incorporated in the United Kingdom and registered in Scotland (SC121376). The principal activities of JHL are technology transfer, the commercial exploitation of the scientific expertise and products of the James Hutton Institute and the provision of a range of consultancy and commercial services.

JHL distributes a substantial part of available profits as gift aid to the Institute. Subsequent to the year end, a distribution of £347k has been approved in respect of the year ended 31 March 2022.

A summary of the trading results is shown below.

	<b>James Hutton Limited</b>	
	<b>2022</b>	2021
	<b>£000</b>	£000
<b>Profit and loss</b>		
Turnover	<b>4,308</b>	3,412
Cost of sales	<b>(2,844)</b>	(2,585)
Gross profit	<b>1,464</b>	827
Administrative expenses	<b>(902)</b>	(848)
Other operating income	<b>184</b>	40
Operating profit	<b>746</b>	19
Interest receivable	<b>1</b>	2
Taxation	<b>(79)</b>	(57)
Profit/(loss) for financial year	<b>668</b>	(36)
Gift Aid distribution to: parent company	<b>-</b>	-
Increase/(decrease) to reserves	<b>668</b>	(36)
The assets and liabilities of the subsidiary		
Fixed assets	<b>383</b>	434
Current assets	<b>2,895</b>	2,071
Creditors: amounts falling due with one year	<b>(802)</b>	(699)
Provisions for liabilities	<b>(59)</b>	(57)
Total net assets	<b>2,417</b>	1,749
Aggregate share capital and reserves	<b>2,417</b>	1,749



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**29 Income**

	<b>Group</b>		<b>Institute</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>£000</b>	£000	<b>£000</b>	£000
Geographical segment:				
United Kingdom	<b>48,049</b>	35,567	<b>46,552</b>	34,847
Rest of Europe	<b>2,877</b>	3,084	<b>2,153</b>	2,345
Rest of World	<b>706</b>	551	<b>74</b>	100
	<b>51,632</b>	39,202	<b>48,779</b>	37,292
Gift aid	-	-	-	-
Gains on fixed asset investments	<b>12</b>	68	<b>12</b>	68
Interest and investment income	<b>25</b>	39	<b>24</b>	37
	<b>51,669</b>	39,309	<b>48,815</b>	37,397

**30 Analysis of Other Expenditure**

	<b>Group</b>		<b>Institute</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>£000</b>	£000	<b>£000</b>	£000
Support costs	<b>6,303</b>	5,698	<b>6,136</b>	5,566
Loss on fixed asset investments	-	-	-	-
Reorganisation costs	-	-	-	-
Fees and stipends	<b>165</b>	160	<b>165</b>	160
Governance costs	<b>140</b>	91	<b>135</b>	83
	<b>6,608</b>	5,949	<b>6,436</b>	5,809

**31 Provisions for liabilities**

	<b>2022</b>	<b>Movement</b>	2021
	<b>£000</b>	<b>£000</b>	£000
Deferred taxation	<b>59</b>	<b>2</b>	57

**32 Contingent liability**

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