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 2023

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

TRUSTEES' REPORT AND GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Contents

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

BOARD OF DIRECTORS

Chair
Susan Davies (existing Board Member, appointed as Chair 13 September 2023)
Dr Ian Gambles (resigned as Chair 13 September 2023 and as a Board Member 30 September 2023)

Other Board Members
Samantha Barber (resigned 30 August 2022)
Professor Caroline Bowsher (appointed 1 November 2023)
Sarah Cowie (appointed 1 November 2023)
Archibald Gibson (resigned 26 April 2023)
Professor Christopher Gilligan
David Gray (appointed 26 April 2023, resigned 2 June 2023)
Kenneth Greetham
Sir Paul Grice
Dr Deborah Keith (resigned 30 September 2023)
Dr Olga Kozlova (appointed 1 November 2023)
George Lawrie
Anne MacColl Turpin (appointed 30 November 2023)
Dr Aileen McLeod (resigned 9 August 2022)
Susan McDonald (appointed 1 November 2023)
Susan Mitchell (appointed 12 September 2023)
Iain Reid (resigned 30 November 2023)
Lindsay Sim (appointed 12 September 2023)
Elieen Stuart (appointed 1 November 2023)
Professor Alyson Tobin (resigned 30 November 2023)
Elizabeth Wade (resigned 26 April 2023)
Robin Walker (appointed 12 September 2023)
Professor Ian Wall (appointed 26 April 2023)
Dr Rebekah Widdowfield (appointed 26 April 2023)

Chief Executive
Professor Colin Campbell

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

LEGAL AND ADMINISTRATIVE INFORMATION

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

Charity number: SC041796. Company number: SC374831.

Registered office
The James Hutton Institute
Invergowrie
Dundee
DD2 5DA

Auditor
French Duncan LLP trading as AAB
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

The Royal Bank of Scotland
36 St Andrew Square
Edinburgh
EH2 2YB

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

TRUSTEES' REPORT, INCORPORATING THE STRATEGIC REPORT

The Directors present their report and the audited financial statements for the year ended 31 March 2023.

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 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 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.

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 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 2023 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 BS EN 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 2023 were £54.6m (2022: £39.5m) of which £49.6m (2022: £32.5m) are restricted for the purposes given and £0.4m (2022: £0.4m) related to endowments, leaving a balance of unrestricted reserves of £4.6m (2022: £6.6m). After deducting fixed assets of £3.1m not otherwise included in restricted reserves, free reserves were £1.4m and can be used for any purpose within our charitable objectives. The Board aim to maintain unrestricted free reserves within a range of between £3m and £6m – which is considered sufficient to ensure ongoing operation under various scenarios – and recognise that the year end position is under the preferred minimum. The Board also recognise that there is a greater challenge during 23/24 in balancing income and expenditure, and it is likely that reserves may remain lower than desirable. The unrestricted free reserves balance at the end of March 2023 is considered unavoidable 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 other capital projects, and the exceptional levels of inflation being experienced during 2022 and 2023 – which have led to 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 in particular the significant future cash outflows and inflows relating to the Tay Cities Region Deal investment at our Invergowrie site.

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 2022-23 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 operate from land owned by and rented from the Scottish Ministers.

Achievements and Performance

Operational Overview

Our activities in 2022/23 saw us increasingly move back to 'business as usual' following the previous pandemic-affected years, although global challenges did not completely dissipate, with, for example, the now-prolonged crisis in Ukraine, ongoing uncertainty around the UK's relationship with Europe following its exit from the EU and sustained inflationary pressures. The Board continued to review and reassess the potential impact of such global factors around scientific activities, income generation and costs. We were nonetheless able to return our primary focus in 2022/23 to the application of our science to help address the global challenges specifically related to the use of land and natural resources. Our work contributes to the solutions to many of the interlinked crises affecting our planet including climate, nature, food security and water. We delivered strongly during the year against our planned research agenda, 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 46% (2022: 48%) and female 54% (2022: 52%). At Executive leadership level our gender mix was male 60% (2022: 60%) and female 40% (2022: 40%). Our Equality, Diversity & Inclusion Committee continues to promote gender and wider equality at all levels. The 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 four out of eleven directors, following the retirement last year of two female Board members. Following the year end, a number of planned retirements and appointments have taken place, and at the point of approving these accounts there are now ten women out of sixteen Board members. The Board continues to work on the basis of phased retirements and recruitments with a view to sustaining our target of 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 2023. 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 2023 totalled £54.6m and comprised:

- Endowment funds £0.4m
- Restricted funds £49.6m
- Unrestricted funds £4.6m

The highlights of the year are:

- Total income was £5.1m higher than last year, at £56.8m (2022: £51.7m). The continued high level of total level income, and the significant increase on last year's total income, is principally due to capital income relating to the Tay Cities Region Deal (TCRD), as explained in more detail below.

- Capital Income in the year funded directly by Scottish Government was £1.5m (2022 £1.1m). Capital funded from the TCRD was £18.1m (2022: £13.9m). There was no other grant-funded capital expenditure (2022: £nil).

- Income recognised in the year from Institute contracts with a range of research funders other than RESAS was 28% higher year on year at £10.0m (2022: £7.8m).

- Other income includes research farms income, tuition fees, and bank interest and was £1.9m (2022: £1.6m; in 2022, other income also included COVID furlough subsidy).

- James Hutton Limited turnover was £4.5m (2022: £4.3m), with an operating profit of £447k (2022: £746k). A Gift Aid distribution to the Institute of £650k (2022: £347k) has been agreed post year end. JHL's performance, albeit resulting in a lower operating profit than 2022, reflects a welcome continuation of its recovery from the impacts of COVID.

- Overall, the Group made a surplus for the year after depreciation and tax of £15.1m (2022: £16.0m surplus). The significant scale of the surplus is again this year principally due to the capital income relating to the TCRD and does not reflect any substantive change in underlying revenue income or expenditure. It remains challenging to balance constrained funding with an increasing cost base.

RESAS revenue grants were lower this year than the prior year at £20.8m (2022 £22.8m), largely reflecting a change in how we recognise income from Centres of Expertise (CoE). Following Scottish Government's competitive tendering of these services, CoE income is now reported within Research Grants and Contracts rather than as Grants from RESAS. Taken together, revenue income from RESAS and other research funders increased only marginally, by £165k, which is disappointing in the context of ongoing efforts to grow revenue in support of our science strategy and in response to growing cost pressures.

Delivery of the Tay Cities Region Deal investment remains fundamental to our strategy of seeking to unlock additional value from the Invergowrie site, by moving to an Open Science Campus operating model. Incredibly challenging inflationary pressures during 2022 necessitated some very difficult decisions about the value engineering and descoping of some of the originally-planned works, at the same time as we were celebrating the opening of the new barley research facilities and research farm hub in late 2022. Nonetheless, construction work on the main office and laboratory complex has progressed on schedule and on budget since it began in October 2022, with a further £18,081k of expenditure on the facilities in 22/23. 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 all the wider essential ongoing investment in, and maintenance of, our infrastructure and scientific equipment. Capital grants from RESAS, which have historically been as high as £3.1m a decade ago in 2011 when Hutton was formed, remain increasingly difficult to secure. During 22/23 we were therefore delighted that we were successful in winning two Scottish Government 'Just Transition' grants: £7.2m to develop a just transition engagement hub on our Craigiebuckler campus and £6m to develop an exemplar green hydrogen facility at our Glensaugh research farm. In addition, in January 2023 we were awarded £1m from the Wolfson Foundation to help establish the Hutton Molecular Phenotyping Centre at Invergowrie, as a facility complementary to the TCRD development, a significant financial contribution for which we're extremely grateful to the Wolfson Foundation.

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 delivered a good full year outturn on the back of the upturn in trading from Q4 2021/22, with sustained performance throughout the year, ultimately just 4% down against its stretching budget target, and reflecting a mix of stronger performance in some areas and weaker performance in others. Contract Research & Consultancy Services experienced significantly lower activity than hoped for, finishing the year nearly 20% under budget, due to forecast activity not proceeding in line with expectations and a number of expected projects not starting. Plant Breeding and Licensing & Sales similarly gave very strong performances as additional unbudgeted work was secured, exceeding their budget targets by 20% and 10% respectively. The small overall year on year increase in total income of £39k gives a solid position from which to seek to grow further during 2023/24.

Pay costs year on year have increased £2.5m (11%) from £22.6m to £25.1m. The year-on-year increase reflects a pay award as well as higher employee numbers as we focus on our science growth strategy.

Non-pay costs have been subject to continued focus during the year due to the increasingly challenging inflationary pressures across the supply chain. Scientific consumable costs have increased by £1.3m (27%) from £4.9m in 2021/22 to £6.2m in 2022/23. Other non-pay costs, excluding depreciation, have increased by £1.2m (15%) from £6.6m in 2021/22 to £7.8m in 2022/23.

The overall outturn for the year - a surplus of £15.1m, compared to the 2021/22 surplus of £16.0m – reflects most significantly the impact of the £18m capital income recognised in relation to TCRD, plus £1.5m of other non-recurring capital grant income. It is noted that the accounting surplus remains exceptional in nature, and does not represent a step change in the underlying capacity of the Institute to generate and sustain an operating surplus, with the underlying position being a net revenue deficit.

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_2 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:	395	(2022: 354)
2.	Employee numbers:	548	(2022: 520)
3.	Percentage of waste recycled:	67%	(2022: 67%) *
4.	CO_2 emissions:	3,069 tonnes	(2022: 2,931 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_2 emissions are reported on broadly the same basis as for the Institute's Public Bodies' Climate Change Duties (PBCCD) report. The scope of CO_2 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 2022/23 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 events in Ukraine, in Israel and Palestine, 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, to which the necessary response would be immediate offsetting reductions in 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.

Although the extensive threats previously arising from COVID-19 have receded, other challenges continue or become more prominent and new challenges emerge. The crisis in Ukraine caused by the Russian invasion continues to have appalling humanitarian consequences. Concerns over global energy and food security, supply chains and economic disruption continue to ebb and flow in response to natural and human-driven forces. The warming global climate is leading to increasingly unpredictable weather, with devasting impacts on people and places, and which also result in and fuel greater economic challenge. Hutton, along with many organisations and individuals, has been struggling with 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 remain hugely positive about our scientific mission, which has never been more relevant. 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 is now expected to conclude in summer 2024, and 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. This advance investment in people is critically important, but places additional strain on our finances and is not funded under the Deal.

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 have further progressed planning around 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. The funding secured from Scottish Government to establish a Just Transition engagement hub will allow us to realise key elements of our strategy for opening up the Craigiebuckler Campus. At Glensaugh Farm we are developing research opportunities in climate-positive farming, and, again, Scottish Government Just Transition funding is going to give us a huge opportunity to demonstrate how a green hydrogen powered off-grid farm community might be part of climate-positive solutions for farming across Scotland. 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 long-awaited announcement in September of the UK's association with the EU Horizon programme was very welcome and a very positive step to support our continued valuable research partnerships with EU-based collaborators. Just over a quarter of our current non-RESAS research portfolio relates to EU activity, and EU collaborations remain a key area of focus for us. We have continued to be successful in winning awards as part of collaborations under the Horizon Europe programme, underpinned by the UK government's interim measures to underwrite UK institutions' participation in Horizon Europe. These interim arrangements did still preclude UK institutions from leading EU collaborations, and the UK's association will allow Hutton again to lead consortia and participate on the same terms as EU partners, maximising the benefit we can gain from EU research opportunities as a key element of Hutton's strategic science portfolio.

During 22/23 we successfully delivered the first year of the new five-year programme of research activity for RESAS, as well as the first year under the new arrangements for the Scottish Government's Centres of Expertise (CoE) – we are the lead Institution for the Centre of Expertise on Water ('CREW') and Centre of Expertise Knowledge Exchange and Innovation ('CKEI'), and a 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. The CoE contracts are for a further two years, with the opportunity of an extension. The new programme and refreshed arrangements for the Centres of Expertise continue to present a great opportunity to further align and enhance our activity across key areas of Scottish Government science and policy, where we have direct and powerful contributions to make to Scotland's climate targets and to helping shape its response to the food, energy and biodiversity crises. A cut of just over 3% was applied to our 23/24 RESAS programme funding, at a time when the need for high quality science-led solutions to Scotland's and the world's challenges has never been greater. Coupled with the extreme and sustained levels of cost inflation, this cut is incredibly damaging to our prospects for achieving better financial sustainability. The early part of 23/24 has presented us with huge challenges in trying to continue to deliver our essential high quality science and support our people in the face of a significant real terms funding cut.

The Executive team and the Board will continue to review and reassess on a regular basis the impact of the adverse 23/24 RESAS funding settlement, seeking to replace that income from other sources. In anticipation of continued economic uncertainty that will affect income generation and costs, we are working towards greater robustness of the Institute's financial position and planning additional mitigations. While there remain many uncertainties, not least the possibility of further, more damaging cuts in our 24/25 RESAS settlement, we have a key national and international role to play. Given the criticality of what we do, we are confident there are routes to sustain and strengthen our scientific contribution at a national and global level.

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:

- 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 Hutton being financially unsustainable in the longer term.
- 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. Further cuts to Hutton's funding from RESAS will also create significant challenge.
- The ongoing 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, and contributed to extreme inflationary pressures in the UK and elsewhere, threatening our ability to continue 'business as usual', increasing the risks to our income and exacerbating the pressures of balancing income and cost.
- 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 (incorporating the Just Transition engagement hub), the Glensaugh Climate Positive Farm (incorporating the HydroGlen green hydrogen project), and now also the National Potato Innovation Centre there is a risk of overstretching 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.

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 wider ongoing global and national economic 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 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.
Employee Code	Available on Connect.

Research Information	Information on European and UK research initiatives and funding is circulated at least weekly
Library Information	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.

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 have developed a Climate Action Plan, providing a clear route to net zero by 2035 for scope 1 and scope 2 emissions and 2040 for scope 3 emissions.

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 and provide further detail on the methodology.

Due to restrictions that were in place to varying degrees throughout 2020/21 and 2021/22 in response to the COVID-19 pandemic, our transport and travel emissions were significantly lower in those years than pre-pandemic levels. Although many of our people have continued to work flexibly 'post-COVID', including a good degree of remote working, work-related travel has naturally increased in 2022/23 with a resumption of more frequent travel between sites, and visits to events, collaborators and business partners nationally and internationally. While we did expect this increase in 2022/23 as we resumed activities that were avoidable in the short term but necessary in the longer term, we nonetheless remain focused on aiming to sustain as many as possible of the positive lessons learned from the pandemic-enforced rethinking of our ways of working. Our electricity consumption increased in 2022/23 compared to 2021/22 due to an effort to decarbonise heat, by installing air source heat pumps. This however did not lead to an increase in our electricity associated emissions due to the ongoing decarbonisation of the grid. Our natural gas consumption and emissions decreased as a result of the installation of heat pumps. Although some of our emissions have increased compared to 2021/22, our emissions are well below pre-pandemic levels.

Total Greenhouse Gas emissions

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

	2022/23 GHG Emissions (tCO_{2e})	**2021/22** GHG Emissions (tCO_{2e})
Energy Consumption and GHG emissions	2,806	2,878
Other material sources of GHG emissions (Scope 3)	263	53
TOTAL EMISSIONS	*3,069*	*2,931*

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

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

TRUSTEES' REPORT, INCORPORATING THE STRATEGIC REPORT

Energy Consumption and Greenhouse Gas emissions

	2022/23		2021/22	
	Energy consumption (MWh, Net Calorific Value for fuels)	Resultant GHG Emissions (tCO_{2e})	Energy consumption (MWh, Net Calorific Value for fuels)	Resultant GHG Emissions (tCO_{2e})
Natural Gas	7,012	1,280	7,598	1,392
Electricity	6,082	1,284	5,749	1,328
Transport & Machinery Fuels				
…Diesel	*924*	*236*	*593*	*149*
…Petrol	*24*	*5*	*33*	*8*
…LPG / Propane	*8*	*1*	*4*	*1*
…Kerosene / Burning Oil	-	-	-	-
Fuels total	956	242	630	158
ENERGY TOTAL	*14,050*	*2,806*	*13,977*	*2,878*

Other material sources of Greenhouse Gas emissions (Scope 3)

	2022/23		2021/22	
	Footprint (units are source-specific)	Resultant GHG Emissions (tCO_{2e})	Footprint (units are source-specific)	Resultant GHG Emissions (tCO_{2e})
Travel				
…Domestic flights ('000 passenger-km)	*104*	*25*	*22*	*5*
…Short-haul flights ('000 passenger-km)	*509*	*77*	*93*	*14*
…Long-haul flights ('000 passenger-km)	*721*	*107*	*48*	*9*
…Rail ('000 passenger-km)	*338*	*11*	*65*	*2*
…Employee car mileage claimed as expenses ('000 km)	*212*	*36*	*106*	*18*
Travel total *('000 passenger-km)*	1,884	256	334	48
Waste (tons)	280	3	191	3
Water ('000 m^3 supplied)	31	4	29	5
OTHER SOURCES TOTAL		*263*		*56*

Intensity Ratios

We report below two intensity ratios:
- emissions per employee
- emissions per £1m of turnover

	2022/23		2021/22	
	Metric value	Intensity ratio	Metric value	Intensity ratio
Average number of employees during the year (FTE)	498	6.2 tCO_{2e} per person	492	6.0 tCO_{2e} per person
Group turnover	£56.8m	54.0 tCO_{2e} per £1m	£51.5m	57.0 tCO_{2e} per £1m

The emissions per FTE increased by 3%, while group turnover intensity decreased by 5% year on year. The slight decrease of group turnover intensity is due to a 10% increase in group turnover in FY2022/23 and a 5% increase in emissions.

The turnover intensity ratio is significantly affected by the level of capital income, which was significantly higher than normal in both 21/22 and 22/23 due to TCRD. If capital income were excluded from turnover, the intensity ratios based on only revenue income would be higher:

	2022/23		2021/22	
	Metric value	Intensity ratio	Metric value	Intensity ratio
Group turnover excluding capital income	£37.2m	82.5 tCO_{2e} per £1m	£36.5m	80.3 tCO_{2e} 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 years 2020/21 and 2021/22 were completely unprecedented years for emissions because of the impact of COVID-19 on our activities and in particular the restrictions on on-site working. With restrictions lifted throughout 2022/23, activity naturally moved back towards 'pre-COVID' patterns, with more in-person attendance at our sites, and travel to meetings, events and conferences, both domestically and internationally, leading to a six-fold increase in our travel and transport emissions. Travel emissions are still below 2019/20 levels, reflecting a positive shift towards more tele-meetings.

Electricity consumption increased by almost 6% due to the installation of heat pumps at our Invergowrie site, but this did in return decrease gas consumption by almost 8%. Our electricity consumption is nonetheless still below pre-pandemic levels, which suggests that energy saving measures have had an impact, with increased awareness and changed working patterns compared to pre-pandemic times.

Our Transport and Machinery fuel consumption and emissions are considerably higher than the previous years. The consumption is based on purchased fuel, of which a large proportion is stored on site, which means that every other year more fuel is bought to refill storage. This leads to significant fluctuations.

Action on renewable energy supplies continued in 2022/23. 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 continued to progress this exciting opportunity during 2022/23, with a target of bringing it into operation in late 2023/24. We are also exploring the feasibility and business case for a heat from waste water scheme at our Craigiebuckler site, which would eliminate the need for gas at that site.

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,

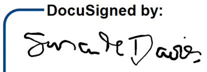
b) they have taken all steps they ought to have taken as Board Members in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditors

Under section 487(2) of Companies Act 2006, French Duncan LLP trading as AAB 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

DocuSigned by:



EA061010602F413...

Susan Davies
Chair

22 December 2023

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

Opinion

We have audited the financial statements of The James Hutton Institute (the "parent charitable company") and its subsidiary (the "group") for the year ended 31 March 2023 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 2023, 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.

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.

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.

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. 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.

DocuSigned by:

F9F1BF5F6859423...

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: 22 December 2023

French Duncan LLP trading as AAB 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 2023

	Note	Unrestricted Funds	Restricted Funds	Endowment Funds	Total Funds 2023	Total Funds 2022
Income and endowments from:		**£000**	**£000**	**£000**	**£000**	£000
Other trading activities	7	**4,531**	**-**	**-**	**4,531**	4,492
Investments	5	**21**	**-**	**10**	**31**	25
Charitable activities	3	**1,612**	**50,664**	**-**	**52,276**	47,140
Total income and endowments		**6,164**	**50,664**	**10**	**56,838**	51,657
Expenditure on:						
Raising funds	7	**4,084**	**-**	**-**	**4,084**	3,746
Charitable activities	6	**1,359**	**36,207**	**5**	**37,571**	31,841
Total expenditure		**5,443**	**36,207**	**5**	**41,655**	35,587
Net (loss)/gain on fixed asset investments	9	**-**	**-**	**(4)**	**(4)**	12
Net income		**721**	**14,457**	**1**	**15,179**	16,082
Taxation		**(109)**	**-**	**-**	**(109)**	(79)
Transfers between funds		**(2,595)**	**2,595**	**-**	**-**	-
Net movement in funds	26	**(1,983)**	**17,052**	**1**	**15,070**	16,003
Balances at 1 April 2022		6,551	32,531	426	39,508	23,505
Balance at 31 March 2023		**4,568**	**49,583**	**427**	**54,578**	39,508

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 2023

		Group		Institute	
	Note	**2023**	2022	**2023**	2022
		£000	£000	**£000**	£000
Income:					
Grants from RESAS	2	**22,312**	23,859	**22,312**	23,859
Research grants and contracts	3	**9,977**	7,783	**9,977**	7,783
Tay Cities Region Deal grants	3	**18,081**	13,885	**18,081**	13,885
Intercompany charges		**-**	-	**1,554**	1,639
Gift aid received		**-**	-	**347**	-
Other income	3	**1,906**	1,613	**1,906**	1,613
Trading income from subsidiaries	7	**4,531**	4,492	**-**	-
Gains on fixed asset investments	9	**-**	12	**-**	12
Interest and investment income	5	**31**	25	**27**	24
Gross income		**56,838**	51,669	**54,204**	48,815
Expenditure:					
Staff costs		**25,134**	22,604	**23,612**	21,259
Scientific consumables		**6,235**	4,924	**5,750**	4,511
Depreciation	8	**1,478**	1,451	**1,310**	1,274
Asset Impairment	8	**995**	-	**995**	-
Other costs	30	**7,817**	6,608	**7,462**	6,436
Total expenditure		**41,659**	35,587	**39,129**	33,480
Net income before tax		**15,179**	16,082	**15,075**	15,335
Tax payable		**(109)**	(79)	**-**	-
Net income		**15,070**	16,003	**15,075**	15,335

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 2023

	Note	Group 2023 £000	Group 2022 £000	Institute 2023 £000	Institute 2022 £000
Fixed Assets:					
Tangible assets	8	**51,250**	32,709	**50,718**	32,426
Investments	9	**537**	354	**250**	254
		51,787	33,063	**50,968**	32,680
Current Assets:					
Stocks	10	**269**	238	**269**	238
Debtors	11	**13,589**	12,215	**12,051**	10,692
Cash at bank and in hand		**2,435**	7,116	**1,503**	6,445
Investments - bank deposit accounts	12	**-**	532	**-**	11
		16,293	20,101	**13,823**	17,386
Creditors: amounts falling due within one year	13	**(13,053)**	(13,441)	**(12,277)**	(12,819)
Net Current Assets		**3,240**	6,660	**1,546**	4,567
Total assets less current liabilities		**55,027**	39,723	**52,514**	37,247
Creditors: amounts falling due after more than one year	14	**(348)**	(156)	**(348)**	(156)
Provision for liabilities	31	**(101)**	**(59)**	-	-
Net Assets	19	**54,578**	39,508	**52,166**	37,091
Funds of the charity					
Endowment funds	16	**427**	426	**427**	426
Restricted funds	17	**49,583**	32,531	**49,583**	32,531
Unrestricted funds	18	**4,568**	6,551	**2,156**	4,134
Total charity funds	19	**54,578**	39,508	**52,166**	37,091

These financial statements were approved by the Board on 22 December 2023 and were signed on its behalf by:

DocuSigned by:
Susan Davies
EA061010602F413...

Susan Davies
Chair

DocuSigned by:
Susan Mitchell
22D6B9F4AD1C44E...

Susan Mitchell
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 2023

	Note	2023	2022
		£000	£000
Net cash (used in) operating activities	20	**(4,117)**	(1,479)
Investing activities			
Purchase of tangible fixed assets		**(20,511)**	(15,510)
Purchase of investments		**-**	(100)
Proceeds on disposal of tangible fixed assets		**-**	14
Bank interest received		**22**	15
Dividends received		**9**	10
Capital grants received		**19,618**	14,940
Net cash flow from investing activities		**(862)**	(631)
Financing activities			
Capital element of hire purchase repayments		**(234)**	(287)
Net cash flow from financing activities		**(234)**	(287)
Change in cash and cash equivalents		**(5,213)**	(2,397)
Cash and cash equivalents at start of reporting period	21	**7,648**	10,045
Cash and cash equivalents at end of reporting period	21	**2,435**	7,648

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

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 2022/23 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 events in Ukraine, in Israel and Palestine, 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, to which the necessary response would be immediate offsetting reductions in 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).

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 certainly. 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:

Buildings	10-50 years
Agricultural buildings and structures	25 years
Plant, machinery and equipment	3-25 years
Motor 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.

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.

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.

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.

2 Grants received from RESAS

		2023	2022
		£000	£000
Group and Institute			
Opening deferred income		**2,160**	1,937
Grants for current expenditure		**20,775**	22,804
Grants for capital expenditure		**539**	1,278
		23,474	26,019
Income deferred	- RESAS, Asbestos remedial work	**(769)**	(883)
	- Other capital expenditure grants	**(393)**	(1,277)
		22,312	23,859

All amounts included above are attributable to restricted funds.

3 Income and endowments from charitable activities

		2023	2022
		£000	£000
Group			
RESAS grants for revenue expenditure		**20,775**	22,804
RESAS grants for capital expenditure		**1,537**	1,055
Tay Cities Region Deal for capital expenditure		**18,081**	13,885
Grants from MDT for revenue expenditure		**547**	273
Other grants and contract income of Institute		**9,430**	7,510
Other income		**1,906**	1,613
Total incoming resources from charitable activities		**52,276**	47,140
Attributable to funds as follows:			
	Restricted funds	**50,664**	45,810
	Unrestricted funds	**1,612**	1,330
		52,276	47,140

Analysis of other income

	2023	2022
	£000	£000
Group and Institute		
Facilities income	**226**	226
Furlough subsidy	**-**	18
Centre for Knowledge	**53**	185
Other rental income	**228**	87
Student fees	**25**	2
Services	**134**	124
Farm income	**663**	684
Equipment donation	**30**	-
Other sundry income	**547**	287
	1,906	1,613

4 Employee information

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

	2023	2022
	Number	Number
Scientific	**384**	367
Other	**164**	153
	548	520

	£000	£000
Employee costs		
Wages and salaries	**20,207**	18,269
Social security costs	**1,843**	1,576
Other pension costs	**2,997**	2,710
Other benefits	**87**	49
Total direct costs of employment	**25,134**	22,604

Other benefits represents redundancy and ex-gratia payments paid to 9 employees (2022: 8). The group policy for redundancy entitlement is:

Eligibility	*Basis of payment*	*Salary basis*	*Maximum*
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:

	2023	2022
	£	£
Ian Gambles	**30,000**	30,000
Deborah Keith	**12,000**	12,000
Iain Reid	**12,000**	12,000
Susan Davies	**12,000**	12,000
Alyson Tobin	**12,000**	12,000
George Lawrie	**8,000**	12,000
	86,000	90,000
The following JHL directors received remuneration of:		
Anne Maccoll Turpin	**6,000**	6,000
Robin Walker	**6,000**	6,000
	12,000	12,000
	98,000	102,000

Travel and subsistence expenses of £9,010 (2022: £4,441) were reimbursed to 12 members of the Board (2022: 8 members).

4 Employee information (cont.)

The remuneration of the highest paid employee during the year was £177,632 (2022: £155,513).

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

	2023	2022
	£	£
	834,840	769,364

The number of key management personnel during the year was 6 full-time (2022: 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:

	2023	2022
	Number	Number
£60,000 - £69,999	**18**	13
£70,000 - £79,999	**9**	8
£80,000 - £89,999	**2**	3
£90,000 - £99,999	**1**	1
£100,000 - £109,999	**4**	2
£150,000 - £159,999	**-**	1
£170,000 - £179,999	**1**	-
	35	28

Total pension contributions payable in relation to the above staff in the year amounted to £374,133 (2022 - £287,571).

5 Investment Income

	Group		**Institute**	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Dividends from listed investments	**9**	10	**9**	10
Bank interest	**22**	15	**18**	14
	31	25	**27**	24
Attributable to funds as follows:				
Endowment funds	**10**	10	**10**	10
Unrestricted funds	**21**	15	**17**	14
	31	25	**27**	24

6 Expenditure

	Group 2023 £000	2022 £000
Expenditure on charitable activities		
Scientific staff costs	**17,316**	15,401
Support staff costs	**5,381**	4,839
	22,697	20,240
Scientific consumables	**5,750**	4,510
PhD fees, stipends and other costs	**190**	165
Depreciation	**1,310**	1,274
Asset Impairment	**995**	-
Support costs	**6,499**	5,512
Governance costs	**130**	140
	37,571	31,841

Attributable to funds as follows:

	2023 £000	2022 £000
Endowment funds	**5**	-
Restricted funds	**36,207**	30,322
Unrestricted funds	**1,359**	1,519
	37,571	31,841

Support costs

	2023 £000	2022 £000
Rent and utilities	**1,671**	1,408
Communications and telephones	**207**	93
Technical services	**571**	581
ITS costs	**1,304**	941
Library and data manager	**444**	382
Property maintenance and service and cleaning	**1,067**	1,096
Other	**1,874**	1,637
	7,138	6,138
Recharged and included in expenditure of trading subsidiaries	**(639)**	(626)
	6,499	5,512

Governance costs

	Group 2023 £000	2022 £000
Auditor's remuneration (Institute)		
- audit	**32**	29
- taxation services	**-**	-
- other services	**-**	-
Other governance costs	**91**	105
	123	134
Auditor's remuneration included in expenditure of trading subsidiaries		
- audit	5	4
- taxation services	2	2
	130	140

7 Income and expenditure of trading subsidiaries

	Group	
	2023	2022
	£000	£000
Other trading activities	**4,531**	4,492
Raising funds	**(4,084)**	(3,746)
Net income before interest	**447**	746

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

8 Tangible Fixed Assets

Group	Under Construction	Freehold Land and Buildings	Leasehold Improvements	Plant, Machinery and equipment	Motor Vehicles	Total
	£000	£000	£000	£000	£000	£000
Cost						
At beginning of year	16,179	20,881	239	35,659	1,313	74,271
Additions	19,152	-	-	1,835	27	21,014
Transfers	(12,791)	12,595	-	196	-	-
Disposals	-	-	-	(694)	-	(694)
At end of year	22,540	33,476	239	36,996	1,340	94,591
Depreciation						
At beginning of year	-	8,368	104	32,101	989	41,562
Charge for year	-	385	13	995	85	1,478
Impairment	-	995	-	-	-	995
Disposals	-	-	-	(694)	-	(694)
At end of year	-	9,748	117	32,402	1,074	43,341
Net book value						
At 31 March 2023	**22,540**	**23,728**	**122**	**4,594**	**266**	**51,250**
At 31 March 2022	16,179	12,513	135	3,558	324	32,709

Institute	Under Construction	Freehold Land and Buildings	Leasehold Improvements	Plant, Machinery and equipment	Motor Vehicles	Total
	£000	£000	£000	£000	£000	£000
Cost						
At beginning of year	16,179	20,881	239	34,205	1,313	72,817
Additions	19,152	-	-	1,418	27	20,597
Transfers	(12,791)	12,595	-	196	-	-
Disposals	-	-	-	(694)	-	(694)
At end of year	22,540	33,476	239	35,125	1,340	92,720
Depreciation						
At beginning of year	-	8,368	104	30,930	989	40,391
Charge for year	-	385	13	827	85	1,310
Impairment	-	995	-	-	-	995
Disposals	-	-	-	(694)	-	(694)
At end of year	-	9,748	117	31,063	1,074	42,002
Net book value						
At 31 March 2023	**22,540**	**23,728**	**122**	**4,062**	**266**	**50,718**
At 31 March 2022	16,179	12,513	135	3,275	324	32,426

8 Tangible Fixed Assets (continued)

Group and Institute

Included within freehold land and buildings is undepreciated land of £7,616,166 (2022 - £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:

	2023	2022
	£000	£000
Motor vehicles	**127**	220
Plant, machinery and equipment	**738**	479
	865	699
Depreciation charged in year in respect of leased assets	**138**	207

9 Fixed Asset Investments

	Group		**Institute**	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Listed Investments				
At beginning of year	**254**	242	**254**	242
Unrealised (loss)/gain on revaluation	**(4)**	12	**(4)**	12
At end of year	**250**	254	**250**	254
Historical cost at 31 March 2023	**65**	65	**65**	65
Unlisted Investments				
At beginning of year	**100**	-	**-**	-
Additions during year	**250**	100	**-**	-
Impairment	**(63)**	-	**-**	-
Carrying amount at 31 March 2023	**287**	100	**-**	-
Total Investments at 31 March 2023	**537**	**354**	**250**	**254**

10 Stocks

	Group		**Institute**	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Farm Stock	**247**	217	**247**	217
Other	**22**	21	**22**	21
	269	238	**269**	238

11 Debtors

	Group		Institute	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Trade debtors	**1,084**	1,082	**-**	-
Amounts due from group undertakings	**-**	-	**211**	180
Other debtors	**9,444**	8,827	**9,444**	8,827
Other loans	**461**	356	**-**	-
Prepayments and accrued income	**1,424**	1,055	**1,320**	906
Corporation tax debtor	**-**	87	**-**	-
Amounts recoverable on research grants and contracts	**1,176**	754	**1,076**	725
Amounts recoverable re Tay Cities Region Deal	**-**	54	**-**	54
	13,589	12,215	**12,051**	10,692

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

	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Other debtors	**75**	-	**75**	-

12 Current asset investments

	Group		Institute	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Bank deposit accounts	**-**	532	**-**	11

13 Creditors: amounts falling due within one year

	Group		Institute	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Trade creditors	**4,045**	4,739	**4,028**	4,720
Taxation and social security costs	**567**	584	**434**	438
Other creditors	**436**	353	**415**	315
Accruals and deferred income	**2,352**	3,372	**2,276**	3,215
Hire purchase creditors	**252**	205	**252**	205
Research grants and contract income received in advance	**5,401**	4,188	**4,872**	3,926
	13,053	13,441	**12,277**	12,819

14 Creditors: amounts falling due after one year

	Group		Institute	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Hire purchase and finance lease creditors:-				
within 1 - 2 years	**196**	98	**196**	98
within 2 - 5 years	**152**	58	**152**	58
	348	156	**348**	156

Finance lease payments represent rentals payable by the group for certain motor vehicles and computer equipment. 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 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

15 Financial instruments

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

	Group		Institute	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Financial assets measured at fair value through net income / expenditure	**250**	254	**250**	254
Financial assets that are debt instruments measured at amortised cost	**14,997**	18,938	**12,560**	16,352
Financial liabilities measured at amortised cost	**6,108**	6,161	**6,032**	5,947

16 Endowment funds

	Lewis Endowment Fund	
	2023	2022
	£000	£000
Income	10	10
Expenditure	(5)	-
	5	10
Unrealised (loss)/gain on revaluation of investments	(4)	12
At beginning of year	426	404
At end of year	**427**	**426**

Purpose of funds:

Lewis Endowment Fund – "To provide prizes or other awards for the encouragement and extension of agriculture and of good agricultural methods on the Island of Lewis, or for agricultural education on the said Island or for work of any kind intended to improve agriculture conditions on the said Island".

17 Restricted funds

(a) Restricted capital reserves

	Group and Institute	
	2023	2022
	£000	£000
At beginning of year	**32,531**	17,829
RESAS grants for capital expenditure	**618**	1,055
Tay Cities Region Deal for capital expenditure	**18,081**	13,885
Other grant funding and external contracts	**424**	765
Depreciation	**(1,076)**	(992)
Asset Impairment	**(995)**	-
Disposal of fixed assets	**-**	(11)
At end of year	**49,583**	32,531

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

(b) Other restricted reserves

	Group and Institute	
	2023	2022
	£000	£000
At beginning of year	**-**	-
Income	**31,541**	30,116
Expenditure	**(34,136)**	(29,330)
Transfer from/(to) unrestricted reserves (Note 18)	**2,595**	(786)
At end of year	**-**	-

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

18 Unrestricted funds

	Institute	**JHL**	**Group**	Group
	2023	**2023**	**2023**	2022
	£000	**£000**	**£000**	£000
Beginning of year	4,134	2,417	**6,551**	5,272
Net income	270	342	**612**	493
Gift aid distribution to parent company	347	(347)	**-**	-
Transfer (to)/from other restricted reserves	(2,595)	-	**(2,595)**	786
At end of year	2,156	2,412	**4,568**	6,551

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 (to)/from other restricted reserves reflect restricted transactions supported by unrestricted funds.

19 Net assets by fund

Group

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total Funds £000
At 31 March 2023				
Fixed assets	3,151	48,386	250	**51,787**
Current assets	14,919	1,197	177	**16,293**
Total creditors	(13,502)	-	-	**(13,502)**
Net assets	**4,568**	**49,583**	**427**	**54,578**

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total Funds £000
At 31 March 2022				
Fixed assets	2,437	30,372	254	**33,063**
Current assets	17,770	2,159	172	**20,101**
Total creditors	(13,656)	-	-	**(13,656)**
Net assets	**6,551**	**32,531**	**426**	**39,508**

Institute

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total Funds £000
At 31 March 2023				
Fixed assets	2,332	48,386	250	**50,968**
Current assets	12,449	1,197	177	**13,823**
Total creditors	(12,625)	-	-	**(12,625)**
Net assets	**2,156**	**49,583**	**427**	**52,166**

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total Funds £000
At 31 March 2022				
Fixed assets	2,054	30,372	254	**32,680**
Current assets	15,055	2,159	172	**17,386**
Total creditors	(12,975)	-	-	**(12,975)**
Net assets	**4,134**	**32,531**	**426**	**37,091**

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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

	2023	2022
	£000	£000
Group		
Net income	**15,070**	16,003
Depreciation	**1,478**	1,451
Asset Impairment	**995**	-
Donation of asset	**(30)**	-
Taxation	**42**	2
Capital grants credited to income and expenditure account	**(19,618)**	(14,940)
Dividends and interest received	**(31)**	(25)
Net loss/(gain) on fixed assets	**67**	(14)
(Increase) in stock	**(31)**	(22)
(Increase) in debtors	**(1,624)**	(6,880)
(Decrease)/increase in creditors	**(435)**	2,946
Net cash (used in) operating activities	**(4,117)**	(1,479)

21 Components of cash and cash equivalents

	2023	2022
	£000	£000
Cash at bank and in hand	2,435	7,116
Investments - bank deposit accounts	-	532
	2,435	7,648

22 Reconciliation of net debt

	At 31 March 2022	**Cash flows**	**New finance leases**	**Foreign exchange movements**	**At 31 March 2023**
	£000	**£000**	**£000**	**£000**	**£000**
Cash	7,116	(4,688)	-	7	**2,435**
Cash equivalents	532	(532)	-	-	**-**
Finance lease obligations	(361)	234	(473)	-	**(600)**
TOTAL	**7,287**	**(4,986)**	**(473)**	**7**	**1,835**

23 Capital commitments

At the year end, the Group was committed to purchasing tangible fixed assets of £3,643k of which £3,507k related to the Institute (2022 – Group £954k and Institute £689k).

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 £2,853k (2022 - £2,579k), excluding life cover. Outstanding contributions at 31 March 2023 were £411k (2022 - £425k).

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

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

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

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

25 Operating lease obligations

At 31 March 2023 the Institute had total future minimum lease payments under non-cancellable operating leases as follows:

	2023	2022
	£000	£000
Group and Institute		
Within 1 year	**51**	47
Between 2 and 5 years	**116**	123
After more than 5 years	**891**	912
	1,058	1,082

26 Reconciliation of movement in reserves

	Group		**Institute**	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Opening reserves	**39,508**	23,505	**37,091**	21,756
Surplus for the financial year	15,070	16,003	15,075	15,335
Closing reserves	**54,578**	39,508	**52,166**	37,091

27 Related party transactions and post balance sheet events

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.

The Institute's wholly-owned subsidiary, James Hutton Limited (JHL), has a number of shareholdings where related party transactions may arise:

- A shareholding of around 25% in MycoNourish, a company established to commercialise the use of beneficial fungi to enhance crop production. No material value is attributed to this shareholding. MycoNourish leases accommodation at Invergowrie from the Institute on an arm's length basis.
- A trivial minority shareholding (<0.1%) in Intelligent Growth Solutions (IGS), a company established to develop vertical farming technology. IGS leases a plot of land at Invergowrie from the Institute on an arm's length basis.
- A 33% shareholding in Bloom Biotechnologies (Bloom), a company focused on the development of technologies to improve the efficiency of the mass propagation of plants. £250k of debt was converted by JHL into shares in Bloom during the year. The amount of debt outstanding at 31 March 2023 was £nil (2022 - £356k). JHL provided scientific services and leased accommodation to Bloom during the year.
- £600k (2022 - £nil) of convertible loan notes in Epigenetica Limited, the majority shareholder in Bloom. After the year end, on 27 July 2023, the loan notes were converted into ordinary shares under a voluntary conversion event.
- To reflect post-year end developments, we have reviewed the carrying value of our investments in Epigenetica and Bloom as at 31 March 2023, resulting in a £139k reduction in the carrying value of our loan to Epigenetica and a £63k reduction in the value attributed to our shares in Bloom.

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 £650k has been approved in respect of the year ended 31 March 2023. A summary of the trading results is shown below.

	James Hutton Limited	
	2023	2022
	£000	£000
Profit and loss		
Turnover	**4,464**	4,308
Cost of sales	**(2,975)**	(2,844)
Gross profit	**1,489**	1,464
Administrative expenses	**(1,109)**	(902)
Other operating income	**67**	184
Operating profit	**447**	746
Interest receivable	**4**	1
Taxation	**(109)**	(79)
Profit for financial year	**342**	668
Gift Aid distribution to: parent company	**(347)**	-
(Decrease)/increase to reserves	**(5)**	668
The assets and liabilities of the subsidiary		
Fixed assets	**819**	383
Current assets	**2,681**	2,895
Creditors: amounts falling due with one year	**(987)**	(802)
Provisions for liabilities	**(101)**	(59)
Total net assets	**2,412**	2,417
Aggregate share capital and reserves	**2,412**	2,417

29 Income

	Group		Institute	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Geographical segment:				
United Kingdom	**53,029**	48,049	**51,606**	46,552
Rest of Europe	**2,861**	2,877	**2,154**	2,153
Rest of World	**917**	706	**70**	74
	56,807	51,632	**53,830**	48,779
Gift aid	**-**	-	**347**	-
Gains on fixed asset investments	**-**	12	**-**	12
Interest and investment income	**31**	25	**27**	24
	56,838	51,669	**54,204**	48,815

30 Analysis of Other Expenditure

	Group		Institute	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Support costs	**7,493**	6,303	**7,145**	6,136
Loss on fixed asset investments	**4**	-	**4**	-
Fees and stipends	**190**	165	**190**	165
Governance costs	**130**	140	**123**	135
	7,817	6,608	**7,462**	6,436

31 Provisions for liabilities

	2023	**Movement**	2022
	£000	**£000**	£000
Deferred taxation	**101**	**42**	59

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.

32 Contingent asset

Hutton has applied for retrospective zero-rating of certain aspects of the TCRD construction project, where the assets being constructed meet the 'relevant charitable purpose' criteria. Our application is currently under consideration by HMRC. While the outcome is not yet certain, we believe it is probable that we will in due course receive a refund for irrecoverable VAT incurred to date.