

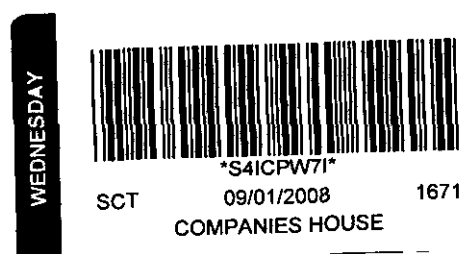
Company number SC091239
Charity number SC 009579

THE DAVID HUME INSTITUTE

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 SEPTEMBER 2007

BROWN, SCOTT & MAIN

Chartered Accountants



THE DAVID HUME INSTITUTE
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2007

CONTENTS	<u>Pages</u>
Trustees and officers	2
Trustees' annual report	3 – 6
Independent auditors' report	7 – 8
Statement of financial activities	9
Balance sheet	10
Accounting policies	11
Notes to the financial statements	12 – 13

THE DAVID HUME INSTITUTE

STATUS

The Institute, which has charitable status, is a company limited by guarantee, without a share capital, formed in 1985 otherwise than for profit, and exempt from the requirements to use the word "limited" The Institute is governed by its memorandum and articles of association The Trustees act as directors of the company It has exempt tax status and the liability of each member is restricted to one pound

TRUSTEES AND OFFICERS

HONORARY PRESIDENT	Lord Sutherland of Houndwood
HONORARY TRUSTEES	Sir Gerald Elliot Professor Sir Alan Peacock Mrs Catherine Blight Lady Anne Mackenzie Stuart Sir John Shaw
TRUSTEES	Miss Eileen A Mackay (Chairman) Mr Robert D D Bertram Ms Kyla Brand Mr John C Elliot Professor Gavin Kennedy Mr Nicholas Kuenssberg Dr Isabelle Low Mr Ken Lyall Professor Hector L MacQueen Professor Donald MacRae Professor John Murray Mr Karl Snowden Professor Joan K Stringer
DIRECTOR	Mr Jeremy Peat
ACADEMIC DIRECTOR	Professor Brian Main
DEVELOPMENT DIRECTOR	Mrs Catriona Laing
CONSULTANT ON LEGAL TOPICS	Professor Hector L MacQueen
COMPANY REGISTRATION NUMBER	SC 091239
CHARITY NUMBER	SC 009579
REGISTERED OFFICE	25 Buccleuch Place Edinburgh
AUDITORS	Brown, Scott & Main 91 West Savile Terrace Edinburgh
BANKERS	The Royal Bank of Scotland plc St Andrew Square Edinburgh
SOLICITORS	Shepherd & Wedderburn Saltire Court 20 Castle Terrace Edinburgh

THE DAVID HUME INSTITUTE

TRUSTEES' ANNUAL REPORT

The Trustees present their report and audited financial statements for the year ended 30 September 2007

AIMS

The aims and objectives of the Institute are to promote discourse and research on, primarily, economic and legal aspects of public policy questions by a programme of publications, seminars, conferences and meetings. There have been no significant changes in the Institute's aims since the last report. The Institute is supported by commercial, public sector and voluntary organisations, trusts and individuals. Support is given through donations, sponsorship of projects and annual subscriptions.

ORGANISATIONAL STRUCTURE AND APPOINTMENT OF TRUSTEES

The Institute is supervised by a Board of Trustees, and is managed by the Director. New trustees are appointed for an initial period of three years.

ACTIVITIES

During the year, the Institute held 8 seminars in addition to the Presidential Address and issued 2 publications, of which details are given below. Events continued to attract knowledgeable and engaged audiences and last year's higher profile of media coverage was maintained. The functionality of the Institute's website, www.davidhumeinstitute.com, was increased to allow for online applications for events. The practice which was trialled in 2005/06 of holding sponsored discussion dinners following seminars has become a regular feature and is proving helpful in making the bridge between debate and policy. The Institute's research activity has been at its highest level for many years.

HUME OCCASIONAL PAPERS

No 70 *Rethinking Central Local Government Relations in Scotland: Back to the Future?*
Jim Gallagher, Kenneth Gibb and Carl Mills

No 71 *A Wise Man Proportions His Beliefs to the Evidence: Scepticism and Competition Policy*
Peter Freeman

THE DAVID HUME INSTITUTE'S RECENT EVENTS

SEMINAR SERIES AUTUMN 2006

10 October 2006

"Does Size Matter? – An investigation of the link between post devolution growth in public spending and Scottish economic performance"

Dr Fabian Zuleeg, DTZ Consulting and Research and Professor Brian Ashcroft, Strathclyde University

31 October 2006

"Energy Policy for Scotland – keeping the lights on and limiting climate change"

Dr Dieter Helm, New College Oxford

7 November 2006

"After the Governors: the role of the BBC's new Trustees"

Jeremy Peat, BBC National Governor for Scotland and Trustee designate

23 November 2006

"Policy Making in a Devolved Environment"

Professor Charlie Jeffrey, Edinburgh University and Professor Jim Gallagher, Glasgow University

THE DAVID HUME INSTITUTE

SEMINAR SERIES SPRING 2007

22 February 2007

“Mr Gradgrind meets Jude the Obscure – what use is Higher Education to the economy?”

Professor Bernard King, Principal, University of Abertay Dundee and Dr Diane Coyle

14 March 2007

“Mental Health and Public Policy”

Lord Richard Layard

3 May 2007

“A wise man proportions his belief to the evidence – Scepticism and Competition Policy”

Peter Freeman, Chair of the Competition Commission

25 June 2007

“Financial Education”

Dame Deirdre Hutton, Deputy Chair of the Financial Services Authority

OTHER EVENTS

28 March 2007

Presidential Address

Lord Stewart Sutherland

“Is an enlightened society still possible? Hume and the rise of fundamentalist religion”

PLANNING AND DEVELOPMENT

An events programme, with secured sponsorship, is substantially in place for the 2007/2008 financial year. Fundraising strategy continues to be a preoccupation for the Institute, with an increased focus on the challenge of achieving more stable long term funding from private and corporate sources. The Institute is grateful to those companies, other organisations, trusts and individuals who have supported its work during the year – our work would be impossible without their help. Details of sponsors, donors and corporate subscribers are given below.

Sponsors of activities, including research projects in hand, during 2006/2007

Economic and Social Research Council (ESRC)

Shepherd and Wedderburn LLP

The Royal Bank of Scotland plc

The Stewart Ivory Foundation

Quayle Munro Ltd

Audit Scotland

Office of Fair Trading

Water Industry Commission for Scotland

The Binks Trust

Donors during 2006/2007

The Binks Trust

HBOS plc

Rushbrook Charitable Trust

THE DAVID HUME INSTITUTE

PLANNING AND DEVELOPMENT (continued)

Corporate subscribers current at the end of 2006/2007

Aberdeen Asset Management
Audit Scotland
Dickson Minto WS
Johnson Press plc
Lloyds TSB Scotland plc
MacDonald Orr Limited
Maclay Murray & Spens
MacRoberts
McGrigors LLP
Scottish and Newcastle plc
Scottish Executive
Scottish Life
Shepherd & Wedderburn LLP
The Royal Bank of Scotland plc
Turcan Connell
Walker Group (Scotland) Limited
Water Industry Commission for Scotland

Personal subscribers

94 individuals

RESEARCH

In the course of the year the Institute made significant progress towards increasing the tangible output of reports and publications to complement its seminar programme. A factual paper on financial education in Scotland was commissioned to inform the seminar on this topic and a report commissioned on the outcome of the seminar, which will be published later in 2007. In addition the Institute instigated two research projects, the first into Public Service Delivery in Scotland and the second into the Economics of Policies to Control Carbon Emissions. These projects will lead to seminars and publications in the near future. The Institute is extremely grateful to those who have sponsored these projects.

Financial Education: Stewart Ivory Foundation

Public Services: Water Commission for Scotland, Audit Scotland, Office of Fair Trading, Office for Scotland, Shepherd & Wedderburn

Carbon management: Binks Trust, Economic and Social Research Council

RESULTS

The net income for the year was £24,202 (2006: £7,468). The Trustees recommend that this surplus be carried forward as part of the Institute's general fund, which stood at the end of the year at £92,008 (2006: £67,806). The Trustees are satisfied that the level of cash reserves is reasonable and enables the Institute to undertake the necessary forward planning of activities.

FIXED ASSETS

Movement in fixed assets is shown in note 3 to the financial statements.

TRUSTEES

Mr Andrew Ferguson and Professor David Simpson retired as Trustees on 5 December 2006, while Ms Kyla Brand and Mr Karl Snowden were appointed Trustees on 5 November 2007. The Trustees in office at the date of this report and throughout the year are listed on page 2.

THE DAVID HUME INSTITUTE

STATEMENT OF TRUSTEES' RESPONSIBILITIES

Company law requires the Trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Institute and of the surplus or deficit of the Institute for that period. In preparing those financial statements, the trustees are required to

- select suitable policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Institute will continue in business

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Institute and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

COMPLIANCE AND GOVERNANCE

The Trustees confirm that the financial statements comply with current statutory requirements, with the Institute's governing document and with the Statement of Recommended Practice "Accounting and Reporting by Charities". The Trustees also confirm that they have kept under review throughout the year the major risks to which the charity is exposed, of which the most significant is securing sufficient funding to allow the charity's activities to continue, and are satisfied that those risks have been addressed as far as is practically possible. The Trustees met 3 times during the year. In addition the chairman of Trustees meets with the Director to monitor developments between Trustees' meetings. There is no Audit committee, the relevant responsibilities being discharged by the Trustees as a whole. At least once a year the Trustees meet under the chairmanship of a Trustee (currently Mr Nick Kuenssberg) other than the chairman of the Institute, to consider accounts, audit and related matters. As at the date of approval of the Trustees' Report, so far as the Trustees are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the Institute's auditors are unaware and each Trustee has taken all necessary steps that he or she ought to have taken as a Trustee in order to make himself or herself aware of any relevant audit information and to establish that the Institute's auditors are aware of that information.

BASIS OF PREPARATION

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Eileen A. Mackay

5th December 2007 CHAIRMAN

THE DAVID HUME INSTITUTE

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES AND MEMBERS OF THE DAVID HUME INSTITUTE

This report is issued in respect of an audit carried out under section 235 of the Companies Act 1985 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005

We have audited the financial statements of The David Hume Institute for the year ended 30 September 2007, which comprise the income and expenditure account, balance sheet, statement of financial activities and related notes. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2005)

This report is made solely to the Institute's members, as a body, in accordance with Section 235 of the Companies Act 1985, and to the charity's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the Institute's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Institute, its members as a body, and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The trustees' (who are also the directors of the David Hume Institute for the purposes of company law) responsibilities for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities in the Trustees' Annual Report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006. We also report to you if, in our opinion, the information given in the Trustees' Annual Report is consistent with the financial statements, if the charity has not kept proper accounting records, or if information specified by law regarding trustees' remuneration and transactions with the charity is not disclosed, or if we have not received all the information and explanations we require for our audit.

We read the Trustees' Annual Report, and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Institute's circumstances, consistently applied and adequately disclosed.

THE DAVID HUME INSTITUTE

Basis of opinion (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements

give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the Institute's affairs at 30 September 2007 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended, and

have been properly prepared in accordance with the Companies Act 1985, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006,

the information given in the Trustees' Annual Report is consistent with the financial statements



BROWN, SCOTT & MAIN

Chartered Accountants and Registered Auditor

(Eligible to act as an auditor in terms of section 25 of the Companies Act 1989)

Edinburgh

17th December 2007

THE DAVID HUME INSTITUTE

STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 30 SEPTEMBER 2007

	Notes	2007 £	2006 £
INCOMING RESOURCES			
Incoming resources from generated funds			
Voluntary income			
Donations		30,460	28,930
Subscriptions		<u>16,696</u>	<u>14,467</u>
		<u>47,156</u>	<u>43,397</u>
Investment income			
Bank interest		<u>610</u>	<u>270</u>
Incoming resources from charitable activities			
Revenue from lectures, seminars and conferences			
Sponsorship income		63,800	33,459
Admission charges		<u>5,691</u>	<u>3,916</u>
		69,491	37,375
Sale of publications		<u>51</u>	<u>16</u>
		<u>69,542</u>	<u>37,391</u>
Total incoming resources		<u>117,308</u>	<u>81,058</u>
RESOURCES EXPENDED			
Charitable activities			
Seminar costs		26,964	10,464
Event management fees		14,299	13,315
Administration and office costs		<u>50,256</u>	<u>48,577</u>
		<u>91,519</u>	<u>72,356</u>
Governance costs		<u>1,587</u>	<u>1,234</u>
Total resources expended		<u>93,106</u>	<u>73,590</u>
Net income for the year		24,202	7,468
Total funds brought forward	6	<u>67,806</u>	<u>60,338</u>
Total funds carried forward	6	<u>£92,008</u>	<u>£67,806</u>

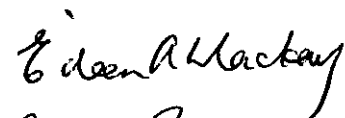

THE DAVID HUME INSTITUTE

BALANCE SHEET AS AT 30 SEPTEMBER 2007

	Notes	2007 £	2006 £
FIXED ASSETS	3	<u>1,049</u>	<u>1,550</u>
CURRENT ASSETS			
Prepayments		563	8,242
Other debtors		230	100
Bank deposit		100,676	61,696
Cash on hand and at bank		<u>1,572</u>	<u>1,535</u>
		<u>103,041</u>	<u>71,573</u>
CREDITORS Amounts falling due within one year			
Accruals		<u>12,082</u>	<u>5,317</u>
		<u>12,082</u>	<u>5,317</u>
NET CURRENT ASSETS		<u>90,959</u>	<u>66,256</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>£92,008</u>	<u>£67,806</u>
CAPITAL AND RESERVES			
Unrestricted general fund	6	92,008	67,806
Restricted funds	6	<u>£92,008</u>	<u>£67,806</u>

These financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and with the Financial Reporting Standard for Smaller Entities (effective January 2005)

The financial statements on pages 9 to 13 were approved by the Board of Trustees on 5 December 2007 and were signed on its behalf by

 CHAIRMAN
 TRUSTEE

THE DAVID HUME INSTITUTE

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of the Institute have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005) and Statement of Recommended Practice "Accounting and Reporting by Charities" Revised 2005. In common with many other charitable organisations of a similar size and nature, we use our auditors to prepare these financial statements.

FORMAT

Owing to special circumstances and in particular to the fact that the activities of the Institute are principally the administration of voluntary funds for charitable purposes, it is the opinion of the trustees that presentation of a profit and loss account in any of the specific formats presented in Schedule 4 of the Companies Act 1985 would prevent compliance with section 228 of the Act (that accounts shall give a true and fair view of the profit or loss for the financial year). Accordingly, the information required by the Act is given in the form of a Statement of Financial Activities appropriate to the activities of the Institute and in accordance with the current Statement of Recommended Practice.

INCOME

Donations and membership subscriptions are credited to income in the year in which they arise. Revenue grants, sponsorship moneys and admission fees are credited to income in the year to which they relate. Subscription income under gift aid is shown gross of tax recoveries. Income receivable with restrictive conditions, where the income can be used only for a specific purpose, is accounted for as a restricted fund. All income of the Institute has been derived wholly from activities within the UK.

EXPENDITURE

All expenditure is included inclusive of Value Added Tax on an accruals basis and is classified under headings appropriate to the Institute's activities. Administration expenditure is considered to relate almost exclusively to the management of the Institute for its charitable activities with minimal time consumed by fund raising or governance issues. Governance costs comprise audit and company registration fees and the cost of trustees' meetings. Expenditure on publications is written off as incurred and no value is placed on stock of publications.

FUND ACCOUNTING

Unrestricted funds represent donations and other incoming resources receivable to further the general objects of the charity without further restricted purpose or need for repayment, and are available as general funds. Restricted funds are funds which are to be used in accordance with the specific restrictions imposed by the relevant supporter, or which have been raised by the charity for a specific purpose.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write off the cost less residual value of the assets over their estimated useful lives at the following rates:

Office equipment 20% per annum straight line

LIABILITIES

Liabilities are recognised when an obligation arises for the transfer of economic benefit as a result of past transactions or events.

OPERATING LEASES

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

THE DAVID HUME INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007 (Continued)

4 SHARE CAPITAL

The Institute is a company limited by guarantee, without a share capital, formed in 1985 otherwise than for profit and exempt from the requirements to use the word "Limited". It has tax exempt status and the liability of each member is restricted to one pound.

5 FINANCIAL COMMITMENTS

The Institute has a commitment for property rental, including service charges of £13,102 (2006 £10,008), which is renewable annually. It also has an annual commitment of £502 for office equipment (2006 £753), which commenced in May 2005, for 3 years.

6 MOVEMENT ON FUNDS

	At 01/10/06	Incoming Resources	Income Repaid	Outgoing Resources	Net Movement	At 30/9/07
Unrestricted Funds						
General fund	<u>67,806</u>	<u>117,308</u>	<u>0</u>	<u>93,106</u>	<u>24,202</u>	<u>92,008</u>
Total unrestricted funds	<u>67,806</u>	<u>117,308</u>	<u>0</u>	<u>93,106</u>	<u>24,202</u>	<u>92,008</u>
TOTAL FUNDS	<u>£67,806</u>	<u>£117,308</u>	<u>£ 0</u>	<u>£93,106</u>	<u>£24,202</u>	<u>£92,008</u>

The Trustees have reviewed the funds of the Institute and consider they are all unrestricted.