

Company number SC091239
Charity number SC009579

THE DAVID HUME INSTITUTE

REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD

1 OCTOBER 2012 to 31 JULY 2013

BROWN, SCOTT & MAIN

Chartered Accountants

THE DAVID HUME INSTITUTE

REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 2013

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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, OFFICERS AND COMPANY INFORMATION

HONORARY PRESIDENT	The Rt Hon Lord Steel of Aikwood (July 2010 – July 2013)
HONORARY TRUSTEES	Mrs Catherine Blight Sir Ian Byatt Sir Gerald Elliot Miss Eileen A Mackay Professor Sir Alan Peacock Sir John Shaw
TRUSTEES (Chairman)	Professor Hector MacQueen Professor Alan Alexander Mr Stephen Boyle Ms Kyla Brand Professor Alice Brown Laura Dunlop QC (<i>appointed 20 August 2013</i>) Mr John C Elliot Hon Lord Hodge (<i>resigned 17 June 2013</i>) Professor Charlie Jeffery Mr Owen Kelly (<i>appointed 31 July 2013</i>) Dr Ken Lyall (<i>deceased 13 June 2013</i>) Professor Donald MacRae Professor Anton Muscatelli Mr Ian Ritchie Ms Barbara Smith (<i>appointed 31 July 2013</i>) Professor Joan K Stringer Mr Andrew Welsh Mr David Wilson (<i>resigned 8 April 2013</i>)
DIRECTOR	Mr Jeremy Peat
DEVELOPMENT DIRECTOR/COMPANY SECRETARY	Mrs Catriona Laing
CONSULTANT ON LEGAL TOPICS	Professor Hector L MacQueen
COMPANY REGISTRATION NUMBER	SC 091239
CHARITY NUMBER	SC 009579

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TRUSTEES, OFFICERS AND COMPANY INFORMATION (continued)

REGISTERED OFFICE	26 Forth Street Edinburgh
AUDITORS	Brown, Scott & Main 91 West Savile Terrace Edinburgh
BANKERS	The Royal Bank of Scotland plc St Andrew Square Edinburgh
SOLICITORS	Shepherd & Wedderburn 1 Exchange Crescent Conference Square Edinburgh

THE DAVID HUME INSTITUTE

REPORT OF THE TRUSTEES

The Trustees present their report and audited financial statements for the period 1 October 2012 to 31 July 2013.

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 research, 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, who are appointed by the members for an initial period of two years, and is managed by the Director.

ACTIVITIES

During the period, the Institute held 24 events which comprised 13 seminars and 11 roundtables. DHI also issued 4 Hume Occasional Papers (electronically and hard copy) and 22 Research Papers (published online only). Events continued to attract knowledgeable and engaged audiences and high profile media coverage was exceptional and has continued to increase from previous years.

HUME OCCASIONAL PAPERS

- | | |
|-------|---|
| No 94 | <i>Further Education, the Scottish Labour Market and the Wider Economy</i>
Kristinn Hermannsson, Ewart Keep, Patrizio Lecca, Jeremy Peat, Lesley Sutton and J Kim Swales |
| No 95 | <i>Annual Lecture 2012 - Instinct or Analysis; are they Choices for Scotland</i>
Sir Ian Byatt |
| No 96 | <i>Unlocking the Potential in Scotland's Public Services - From Good to Great by 2020</i>
Robert Black |
| No 97 | <i>Presidential Address 2013 - A New Union for Today's World</i>
The Rt Hon Lord Steel of Aikwood KT KBE |

THE DAVID HUME INSTITUTE RECENT EVENTS

N.B. The ESRC Conversations were held in association with the School of Social and Political Science at the University of Edinburgh.

SPRING 2013

- | | |
|-------------|--|
| 16 May 2013 | ESRC Conversation 4 – 'Competition Policy and Regulation: in the context of Constitutional Change in Scotland' |
| 7 May 2013 | ESRC Conversation 3 – 'The Scottish Energy Sector: in the Context of Possible Constitutional Change in Scotland' |

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REPORT OF THE TRUSTEES (continued)

17 April 2013	'The UK Economic Outlook'
21 March 2013	'A New Union for Today's World' - Presidential Address 2013
5 March 2013	'How goes it with the Public Finances?'
18 February 2013	ESRC Conversation 2 - 'Delivering Social Security: Options in Scotland's Constitutional Debate'
12 February 2013	'Implications of limited policy autonomy; lessons from selected small advanced economies'
29 January 2013	'Procurement Reform – Which Way Forward for Scotland?'

AUTUMN 2012

19 November 2012	'Macro-Economic Policies and Constitutional Change'
13 November 2012	'Restoring the Smooth Operation of the Euro System'
22 October 2012	'Instinct or Analysis; options for Scotland' - Hume Annual Lecture 2012
16 October 2012	'Finance in Which People Matter'
4 October 2012	'Unlocking the Potential in Scotland's Public Services'

ROUNDTABLES/DHI SPEAKERS GIVING EVIDENCE TO SCOTTISH PARLIAMENT COMMITTEES

SPRING 2013

27 June 2013	Round table Higher Education Research Project (DHI/RSE)
18 June 2013	Round table Higher Education Research Project (DHI/RSE)
24 April 2013	Round table with Finance Committee on Scotland Act at Holyrood
18 April 2013	Round table for ESRC Conversation 3
17 April 2013	Robert Chote gave evidence to the Finance Committee at Holyrood
8 April 2013	Round table for ESRC Conversation 4

AUTUMN 2012

11 December 2012	Round table for ESRC Conversation 2
14 November 2012	Patrick Honohan gave evidence to Finance Committee at Holyrood
12 November 2012	Round table Higher Education Research Project (DHI/RSE)
9 October 2012	Round table for ESRC Conversation 1
3 October 2012	Round table with Finance Committee on Growth Agenda at Holyrood

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REPORT OF THE TRUSTEES (continued)

RESEARCH AND ASSOCIATED PAPERS

Professor David Bell *Social Protection in Scotland*

ESRC Conversation on Constitutional Change

The ESRC Research papers relating to the ‘Conversations’ were prepared in association with the School of Social and Political Science at the University of Edinburgh.

ESRC Conversation 4

“Competition Policy and Regulation: in the context of Constitutional Change in Scotland”

Research Papers 11/2013 - 16/2013

- | | |
|---------|--|
| 16/2013 | <i>The Current Legal and Institutional Arrangements for the Enforcement of Competition Law in the UK, and the Options and Issues Arising from Devolution</i>
David Saunders |
| 15/2013 | <i>Discussion Document on “Competition Policy and Regulation”</i>
Netherlands Authority for Consumers & Markets |
| 14/2013 | <i>Regulation and Competition in the Water Industry in Scotland: Some Lessons from Experience</i>
David Simpson |
| 13/2013 | <i>The Future of Economic Regulation in Scotland: an outsider’s view</i>
Luis Correia da Silva, Oxera |
| 12/2013 | <i>Utility Regulation in a Smaller System</i>
Iain Osborne |
| 11/2013 | <i>Competition and Regulatory Policy and Institutional Design for Scotland</i>
Martin Cave and Jon Stern |

On the 16 May 2013 the Institute held the fourth and final ESRC-supported ‘conversation’ – this time on competition policy and regulation (of utilities, transport, etc.). We were asked by the Scottish Government to pick up this topic, so this provided a remarkable opportunity to be involved in the development of policy in this area. Professor Martin Cave, Visiting Professor at Imperial College Business School and an acknowledged expert in all matters regulatory and regarding competition policy, was our lead speaker and along with Jon Stern provided an over-arching background paper.

ESRC Conversation 3

“The Scottish Energy Sector: in the Context of Possible Constitutional Change in Scotland”

Research Papers 7/2013 - 10/2013

- | | |
|---------|--|
| 10/2013 | <i>Energy Policy and Consumers in Scotland</i>
Trisha McAuley and Andrew Faulk |
| 9/2013 | <i>DHI/SCDI Energy and Constitutional Change Conversation - Oil and Gas</i>
John Paterson and Greg Gordon |

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REPORT OF THE TRUSTEES (continued)

8/2013 *Independence and the Market for Electricity in Scotland*
Grant Allan, Peter McGregor and Kim Swales

7/2013 *Energy Trends: Scotland and the World*
Julian Fennema, Mark Schaffer and Karen Turner

On 7 May 2013 the DHI held a seminar for the third of the four 'conversations' on topics related to constitutional change in Scotland. This third topic related to the energy sector: the rapidly evolving and complex external/global energy environment and its implications for Scotland; oil-related issues and the electricity issue. We also had a paper on consumer related issues and an over-arching paper prepared by SCDI.

ESRC Conversation 2

"Delivering Social Security: Options in Scotland's Constitutional Debate"

Research Papers 1/2013 - 6/2013

6/2013 *Delivering Social Security: Options in Scotland's Constitutional Debate*
Citizenship: choices and capabilities
James Mitchell

5/2013 *Welfare to Work or a Welfare System that Works?*
Arguing for a Citizens Basic Income in a new Scotland
Professor Ailsa McKay

4/2013 *Independence and the Territorial Politics of Welfare*
Dr Nicola McEwen

3/2013 *Belgian social federalism: Quo Vadis?*
Professor Bea Cantillon

2/2013 *Devolution, Parity and Welfare Reform in Northern Ireland*
Professor Derek Birrell

1/2013 *Improving social outcomes in Scotland*
Devo Plus proposals for welfare devolution and reform
Jeremy Purvis

On 18 February 2013 the DHI held a seminar for the second of the four 'conversations' on topics related to constitutional change in Scotland. This second topic related to how we guarantee welfare through social security and other measures and is one of the most disputed issues in Scottish and UK politics.

ESRC Conversation 1

"Macro-Economic Policies and Constitutional Change"

Research Papers 2/2012 - 6/2012

6/2012 *Scottish independence: the fiscal context*
Paul Johnson and David Phillips

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REPORT OF THE TRUSTEES (continued)

5/2012	<i>Scottish Independence and Financial Services – an Industry Observer’s Perspective</i> Owen Kelly
4/2012	<i>Devolution Max á la Basque: A Model for a Scotland within the UK?</i> César Colino
3/2012	<i>Scottish Independence: Issues and Questions</i> Brian Quinn
2/2012	<i>The Scope for Economic Policy after Independence</i> Gavin McCrone

In November 2012 the DHI held a seminar for the first of four ‘conversations’ on topics related to constitutional change in Scotland. The full set of conversations was held over the period of autumn 2012 and spring 2013. The first topic related to macro-economic policy issues, including ‘what currency’, fiscal and monetary policy under different regimes and the complex world of financial sector oversight and regulation.

RSE/DHI on Higher Education

The DHI worked with Alice Brown, General Secretary of the RSE, to set up a major project on the HE sector. This was developed following a very productive round table session at RSE with key players. 6 key topics were identified. For the first two topics a paper has been written and then followed by two round table discussions, the second of which was with policy-makers et al. Final versions of the papers will be widely disseminated. It is anticipated that work on the next two topics will commence in Autumn 2013.

ONGOING INITIATIVES

Student registration/‘bring a guest free’

There has been steady uptake of the new initiatives introduced last year e.g. reduced cost for student registration and the opportunity for members to ‘bring a guest’ free to an event. In order to attract more young people/students to our events in early July we introduced a still lower rate of £5 for student registrations and £20 for annual student membership.

Newsletter

The newsletter continues to be a useful way to keep in touch with our members and visitors to our website can also download a copy.

Online event registration and membership sign up

Online registration for events and membership renewal/sign up have also been very successful with almost 100% of new memberships being made online and approximately 90% of event registrations made via the website.

Twitter

The Institute is now officially tweeting and has around 95 followers. This is seen as another way to keep in touch with our members and the wider public.

PLANNING AND DEVELOPMENT

Our events and seminar programme is substantially in place for the 2013/2014 financial year. Sponsorship has been confirmed for all events in the Autumn programme and is also largely in place for the Spring programme. Fundraising and in particular, core funding, continues to be a priority for the Institute. The Trustees have recently implemented a fundraising strategy with emphasis on achieving stable long-term funding from private and corporate sources.

THE DAVID HUME INSTITUTE

REPORT OF THE TRUSTEES (continued)

As in the past few years, it is acknowledged that this may be more difficult in the current economic climate. 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.

Donors, sponsors and supporters of activities and research projects during 2012/13

Economic and Social Research Council (ESRC)
Institute for Fiscal Studies (IFS)
Morrison Construction
Scottish Enterprise
Scottish Futures Forum (SFF)
Scottish Government
Scottish Institute for Research in Economics (SIRE)
Shepherd & Wedderburn
Standard Life Investments
The Binks Trust
The Royal Bank of Scotland
Walter Scott and Partners Limited

Members current at the end of 2012/2013

Corporate

Audit Scotland
Consumer Futures
Institute and Faculty of Actuaries
Lloyds Banking Group Scotland
Pinsent Masons LLP
RESAS
Scottish Enterprise
Scottish Futures Trust
SCVO
Shepherd & Wedderburn LLP
Standard Life
The Law Society of Scotland
The Royal Bank of Scotland plc
The Scottish Government
Turcan Connell
University of the Highlands & Islands

Individual members

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COMPLIANCE AND GOVERNANCE

The Trustees confirm that the accounts comply with current statutory requirements, with the Institute's governing document and with the Statement of Recommended Practice "Accounting and Reporting by Charities". The major risks to which the charity is exposed, as identified by the Trustees, have been reviewed and systems or procedures have been established to manage those risks as far as the Trustees consider is practically possible. The Trustees maintain a risk register which records each major risk identified, of which the most significant is securing sufficient funding to allow the charity's activities to continue, and the charity's systems and procedures to mitigate each risk. The risk register is regularly reviewed by the Trustees.

THE DAVID HUME INSTITUTE

REPORT OF THE TRUSTEES (continued)

The Trustees met 4 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 Jo Elliot) other than the chairman of the Institute, to consider accounts, audit and related matters. As at the date of approval of the Report of the Trustees, so far as the Trustees are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Institute's auditors are unaware and, so far as he or she is aware, 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.

RESULTS

The overall surplus on the unrestricted general fund for the period was £47,681 (2012 deficit of £13,046). The deficit for the period on restricted funds was £4,936 (2012 surplus of £5,751). At the end of the period the Institute's general fund stood at £132,099 (2012 £84,418) and restricted funds at £2,076 (2012 £7,012). The Trustees remain satisfied that the overall level of reserves is reasonable in the context of its future programme and enables it to undertake the necessary forward planning of events despite the inevitable uncertainties about future income streams against the current economic climate.

TRUSTEES

The Trustees holding office during the ten month period ended 31 July 2013 are listed on page 2. Mr David Wilson and Hon Lord Patrick Hodge resigned as Trustees on 8 April 2013 and 17 June 2013 respectively. Dr Ken Lyall died on 13 June 2013. Mr Owen Kelly and Ms Barbara Smith were both appointed as Trustees on 31 July 2013. Since the period end, Laura Dunlop was appointed as a Trustee on 20 August 2013.

TRUSTEES' LIABILITY INSURANCE

The company holds Trustees' liability insurance which is administered by an independent insurance company and provides cover for the charity's Trustees.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Trustees must not approve financial statements unless they are satisfied that they 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 that are sufficient to show and explain the Institute's transactions and disclose with reasonable accuracy at any time the financial position of the Institute and to enable them ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Institute and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the financial information included on the company's web site.

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REPORT OF THE TRUSTEES (continued)

BASIS OF PREPARATION

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

PROFESSOR HECTOR MACQUEEN

CHAIRMAN

2013

THE DAVID HUME INSTITUTE

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

We have audited the financial statements of The David Hume Institute for the ten month period ended 31 July 2013 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Institute's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the 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 auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page eleven, the Trustees (who are also the directors of the David Hume Institute for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (United Kingdom and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Trustees to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2013 and of its incoming resources and application of resources, including its income and expenditure, for the period 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 regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

THE DAVID HUME INSTITUTE

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

(continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Trustees for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- the charitable company has not been kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Report of the Trustees.

William Main CA (Senior Statutory Auditor)
for and on behalf of Brown, Scott & Main
Statutory Auditor
91 West Savile Terrace
Edinburgh
EH9 3DP

2013

Brown, Scott & Main is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Note:

The maintenance and integrity of The David Hume Institute web site is the responsibility of the Trustees; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

THE DAVID HUME INSTITUTE

**STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME AND EXPENDITURE ACCOUNT)
FOR THE PERIOD ENDED 31 JULY 2013**

	Notes	Unrestricted funds £	Restricted funds £	10 months 2013 Total £	12 months 2012 Total £
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income					
Donations		37,005	-	37,005	37,120
Subscriptions		<u>20,875</u>	<u>-</u>	<u>20,875</u>	<u>22,597</u>
		<u>57,880</u>	<u>-</u>	<u>57,880</u>	<u>59,717</u>
Investment income					
Bank interest		<u>307</u>	-	<u>307</u>	<u>111</u>
Incoming resources from charitable activities					
Revenue from seminars, other events and publications					
Sponsorship income		49,685	-	49,685	45,611
Admission charges		<u>9,880</u>	<u>-</u>	<u>9,880</u>	<u>5,619</u>
		59,565	-	59,565	51,230
Sale of publications		<u>20</u>	<u>-</u>	<u>20</u>	<u>58</u>
		59,585	-	59,585	51,288
Revenue from research projects		<u>4,400</u>	<u>28,872</u>	<u>33,272</u>	<u>21,583</u>
		<u>63,985</u>	<u>28,872</u>	<u>92,857</u>	<u>72,871</u>
Total incoming resources		<u>122,172</u>	<u>28,872</u>	<u>151,044</u>	<u>132,699</u>
RESOURCES EXPENDED					
Charitable activities					
Seminars, other events and publications		19,241	-	19,241	20,752
Research costs		1,771	33,435	35,206	19,848
Administration and office costs		<u>51,059</u>	<u>373</u>	<u>51,432</u>	<u>97,194</u>
		<u>72,071</u>	<u>33,808</u>	<u>105,879</u>	<u>137,794</u>
Governance costs		<u>2,420</u>	<u>-</u>	<u>2,420</u>	<u>2,200</u>
Total resources expended		<u>74,491</u>	<u>33,808</u>	<u>108,299</u>	<u>139,994</u>
NET INCOME/ (EXPENDITURE) FOR THE PERIOD		47,681	(4,936)	42,745	(7,295)
TRANSFERS					
Gross transfers between funds		=	=	=	=
Net movement in funds	7	47,681	(4,936)	42,745	(7,295)
Total funds brought forward	7	<u>84,418</u>	<u>7,012</u>	<u>91,430</u>	<u>98,725</u>
Total funds carried forward	7	<u>132,099</u>	<u>2,076</u>	<u>134,175</u>	<u>£91,430</u>

The results for the period derive from continuing activities and there are no gains or losses other than those shown above.

THE DAVID HUME INSTITUTE

BALANCE SHEET AS AT 31 JULY 2013

Company Number SC091239

	Notes	31 July 2013 £	30 September 2012 £
FIXED ASSETS	3	<u>485</u>	<u>979</u>
CURRENT ASSETS			
Prepayments		38	419
Accrued income		1,921	17,589
Other debtors		1,800	1,800
Bank deposits		131,716	95,192
Cash on hand and at bank		<u>1,732</u>	<u>1,706</u>
		<u>137,207</u>	<u>116,706</u>
CREDITORS: Amounts falling due within one year			
Accruals		2,563	21,803
Payroll taxes		694	2,187
Deferred income	6	<u>260</u>	<u>2,265</u>
		<u>3,517</u>	<u>26,255</u>
NET CURRENT ASSETS		<u>133,690</u>	<u>90,451</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>£134,175</u>	<u>£91,430</u>
CAPITAL AND RESERVES			
Unrestricted general fund	7	132,099	84,418
Restricted funds	7	<u>2,076</u>	<u>7,012</u>
		<u>£134,175</u>	<u>£91,430</u>

These financial statements are prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 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 April 2008).

The financial statements on pages 14 to 20 were approved by the Board of Trustees on 2013 and were signed on its behalf by:

PROFESSOR HECTOR MACQUEEN CHAIRMAN

J C ELLIOT TRUSTEE

THE DAVID HUME INSTITUTE

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008), Statement of Recommended Practice 2005 "Accounting and Reporting by Charities" and with the Companies Act 2006.

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 1 of the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008 as required under Part 15 of the Companies Act 2006 would prevent compliance with section 396 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 period in which they arise. Revenue grants, sponsorship moneys and admission fees are credited to income in the period 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.

EXPENDITURE

All expenditure is included on an accruals basis, inclusive of Value Added Tax which cannot be recovered 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. Further information on the purpose of specific restricted funds is provided at note 7. The charity had two restricted funds during the year; Awards for All and Constitutional Change.

Inter-fund transfers are made from the general unrestricted fund to restricted funds to cover any shortfall suffered on a specific restricted fund activity.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less accumulated depreciation. Additions costing less than £100 are not capitalised. 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

THE DAVID HUME INSTITUTE

ACCOUNTING POLICIES (continued)

LIABILITIES

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

TAXATION

The company is registered as a charity with the Office of the Scottish Charity Regulator and is exempt from corporation tax. The company is not registered for VAT and expenditure includes VAT where appropriate.

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 PERIOD ENDED 31 JULY 2013

	10 months 2013	12 months 2012
	£	£

1. NET INCOME/ (EXPENDITURE) FOR THE PERIOD

Net income/ (expenditure) for the period is stated after charging the following administration and office costs:

Salaries and employer's national insurance contributions (note 2)	30,647	36,185
Fees incurred from consultants, advisors and administrators for current year services	21,403	21,403
Fees incurred from consultants, advisors and administrators for previous years services	-	25,164
Operating lease rentals – property	10,122	11,856
Insurance – employer's, public, products and Trustees liability and equipment	381	465
Depreciation	494	499
Auditors' remuneration – audit fee	2,380	2,160
Auditors' remuneration – payroll and accountancy fee	<u>200</u>	<u>780</u>

2. EMPLOYEES

Salaries	28,461	33,562
Employer's national insurance contributions	<u>2,186</u>	<u>2,623</u>
	<u>£30,647</u>	<u>£36,185</u>

There were two employees during the period (2012 two). There were no (2012 no) employees with emoluments above £60,000. No fees or remuneration were paid to Trustees (2012 nil). No expenses were reimbursed to Trustees or paid on their behalf (2012 nil). Fees were paid to certain part-time consultants and advisors in respect of services to the Institute on specific projects and publications and in connection with the Institute's development and management. These consultants and advisors are neither Trustees nor statutory directors of the Institute.

3. TANGIBLE FIXED ASSETS

	Office equipment
	£
COST	
At 1 October 2012	3,574
Additions	-
Disposals	<u>-</u>
At 31 July 2013	<u>3,574</u>
DEPRECIATION	
At 1 October 2012	2,595
Charge for the period	494
Disposals	<u>-</u>
At 31 July 2013	<u>3,089</u>
NET BOOK VALUE	
At 31 July 2013	<u>£485</u>
At 30 September 2012	<u>£979</u>

All fixed assets are used in the management and support of direct charitable activities.

THE DAVID HUME INSTITUTE**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 2013 (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 annual property rental of £13,406 (2012 £12,960), which is renewable annually.

6. DEFERRED INCOME

Deferred income includes attendance fees where the income is deferred until the relevant event has occurred:

	2013 £	2012 £
Brought forward	2,265	510
Deferred incoming resources released during period	(2,265)	(510)
Incoming resources deferred during period	<u>260</u>	<u>2,265</u>
Carried forward	<u>£260</u>	<u>£2,265</u>

7. MOVEMENT ON FUNDS

	At 01/10/12	Incoming Resources	Outgoing Resources	Net Movement	Inter-fund transfers	At 31/07/13
Unrestricted funds:						
General fund	<u>84,418</u>	<u>122,172</u>	<u>(74,491)</u>	<u>47,681</u>	-	<u>132,099</u>
Total unrestricted funds	<u>84,418</u>	<u>122,172</u>	<u>(74,491)</u>	<u>47,681</u>	-	<u>132,099</u>
Restricted funds:						
Awards for All	888	-	(373)	(373)	-	515
Constitutional Change	<u>6,124</u>	<u>28,872</u>	<u>(33,435)</u>	<u>(4,563)</u>	-	<u>1,561</u>
Total restricted funds	<u>7,012</u>	<u>28,872</u>	<u>(33,808)</u>	<u>(4,936)</u>	-	<u>2,076</u>
TOTAL FUNDS	<u>£91,430</u>	<u>£151,044</u>	<u>£(108,299)</u>	<u>£42,745</u>	<u>£ -</u>	<u>£134,175</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 2013 (continued)

THE DAVID HUME INSTITUTE

7. MOVEMENT ON FUNDS (continued)

Purpose of each restricted fund:

Awards for All	Funding for a new website and office equipment which has contributed to expansion and diversification.
Constitutional Change	Funding received from the University of Edinburgh for a project, "Conversations on the Political Economy of Constitutional Change in Scotland". The core project funder is the Economic & Social Research Council.

8. ANALYSIS OF NET ASSETS BETWEEN FUNDS

Assets and liabilities are analysed between the charity's funds as follows:

	Unrestricted funds	Restricted funds	2013 Total	2012 Total
	£	£	£	£
Fixed assets	-	485	485	979
Net current assets	<u>132,099</u>	<u>1,591</u>	<u>133,690</u>	<u>90,451</u>
	<u>£132,099</u>	<u>£2,076</u>	<u>£134,175</u>	<u>£91,430</u>

9. RELATED PARTIES

The David Hume Institute is a members' organisation and does not consider itself to be controlled by any individual party other than to the extent to which it can be influenced by its Trustees. Due to its nature and the composition of its Board of Trustees, transactions with related parties will arise, for example, in the form of annual subscriptions, and sponsorship and research funding to the Institute. These are not disclosed where the Trustees are not able to effect control over the organisations with which they are involved or employed. Jo Elliot, a Trustee of the Institute, is also a Trustee of the Binks Trust which was a donor to the Institute during the year.