



The
Royal Society
of Edinburgh

→ **TRUSTEES' REPORT & ACCOUNTS**

April 2007 – March 2008



The Royal Society of Edinburgh (RSE) is Scotland's national academy of science and letters and its premier learned society, founded by Royal Charter in 1783 for "the advancement of learning and useful knowledge". Covering all branches of learning, including the Sciences, Engineering, Medicine, Arts & Letters, the Professions, Technology, Industry and Commerce, the RSE continues to embody the spirit of the Scottish Enlightenment which shaped its original Charter. In this it provides an important Scottish forum for broadly-based interdisciplinary, as well as more specialised, activities to promote scholarship. Each year the RSE enhances its position in Scotland by electing men and women of great accomplishment to its Fellowship and there are now over 1400 Fellows who contribute voluntarily to the activities of the RSE.

The RSE is an independent Scottish charity governed by a Council of Fellows (the Trustees) elected annually by the Fellowship. It is funded in part by Government through the Scottish Government and also receives support from private and other charitable sources to promote its activities.

Working in constructive partnership with a wide range of bodies, the RSE undertakes a diverse range of public benefit activities for Scotland. It does this directly and through its connected charitable trusts, the RSE Scotland Foundation and the BP Research Fellowships Trust.

The RSE contributes to the following public benefit outcomes:

Increasing the number of world-class science and culture researchers working in Scotland

Increasing Scotland's research and development connections internationally

Improving connections between business and academia

Increasing the number of people in Scotland who adopt science as a career

Enhancing the public's appreciation and understanding of science and culture issues

Informing and influencing public policy decisions.

Trustees' Report & Accounts 2007 – 2008

contents

Council of the RSE 2007 – 08	2
<hr/>	
Trustees' Annual Report	3
Structure, governance and management	3
Objectives and activities	4
Achievements in the year	5
Future plans	10
Financial review and policies	10
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Independent Auditors' Report to the Council of The Royal Society of Edinburgh	12
<hr/>	
Accounts	
Group statement of financial activities (incorporating the income and expenditure account)	13
Group balance sheet	14
RSE balance sheet	15
RSE statement of financial activities (incorporating the income and expenditure account)	16
Group cash flow statement	17
Notes to the financial statements	18

Trustees' Report & Accounts 2007 – 2008

The Trustees are the Council Members elected during the financial year

Council

	Until 1 October 2007	From 1 October 2007
President	Sir Michael ATIYAH OM	Sir Michael ATIYAH OM
Vice-Presidents	Professor J B I McDONALD Professor J MAVOR Lord PATEL of DUNKELD	Professor T S DURRANI OBE Professor J B I McDONALD Lord PATEL of DUNKELD
General Secretary	Professor R G L McCRONE CB until 28 February 2007 Professor A MILLER CBE from 1 March 2007	Professor G S BOULTON OBE
Treasurer	Mr E CUNNINGHAM CBE	Mr E CUNNINGHAM CBE
Fellowship Secretary	Professor A C WALKER	Professor A C WALKER
Councillors	Professor S BLACK OBE Professor R M MACKIE CBE Professor A McMAHON Ms A L A S MACPHERSON CBE Professor C WHATLEY	Sir John ARBUTHNOTT Professor S BLACK OBE Professor A McMAHON Ms A L A S MACPHERSON CBE Professor C WHATLEY

Executive Board

	Until 1 October 2007	From 1 October 2007
General Secretary and Chair	Professor R G L McCRONE CB until 28 February 2007 Professor A MILLER CBE from 1 March 2007	Professor G S BOULTON OBE
Treasurer	Mr E CUNNINGHAM CBE	Mr E CUNNINGHAM CBE
Curator	Professor J HOWIE CBE	Professor J HOWIE CBE
Research Awards Convener	Professor P H HOLMES OBE	Professor P H HOLMES OBE
International Convener	Professor Sir Neil MacCORMICK	Sir David EDWARD PC KCMG
Programme Convener	Professor D S INGRAM OBE	Professor D S INGRAM OBE
Young People's Programme Convener	Professor M J PADGETT	Professor M J PADGETT
Chair of RSE Scotland Foundation	Professor A MILLER CBE	Professor A MILLER CBE
Chief Executive	Dr W DUNCAN	Dr W DUNCAN
Director of Finance	Miss K F M ELLIS	Miss K F M ELLIS

Trustees' Report & Accounts 2007 – 2008

Structure, governance and management

The RSE Council, chaired by the President, comprises twelve Trustees, including three Vice-Presidents, the General Secretary, the Treasurer, the Fellowship Secretary and five ordinary members. Subject to annual re-election, Council members serve for three years, except the General Secretary and Treasurer, who may serve for up to four years. All of the Trustees are unpaid.

The Council is responsible for the strategic direction and policies of the RSE, and normally meets quarterly.

An Executive Board has delegated responsibility from the Council for the delivery of the RSE's activities. It is chaired by the General Secretary, and also has as its members, the Treasurer, the Convenors of the main operational committees and the Curator, as well as the Chair of the RSE Scotland Foundation and senior executive staff. The Board meets quarterly and reports to the Council.

The Council members and the office-bearers serving on the Executive Board are all elected annually by the Fellowship in a postal ballot. New members of Council and the Executive Board are given an extensive briefing pack and an induction to the RSE activities through discussions with the Chief Executive and senior staff.

Reporting to the Council through the Executive Board are several operational committees, including the International Committee, various Research Awards Committees, the Meetings Committee and the Young People's Committee. These Committees largely, but not exclusively, comprise Fellows of the RSE and are concerned with the operational delivery of the RSE's activities. All Fellows are actively encouraged to participate in the RSE's activities.

Two other charitable trusts founded by and closely connected to the RSE, the BP Research Fellowships Trust (the BP Trust) and the RSE Scotland Foundation (the Foundation), are included in the consolidated accounts. The Foundation plays a leading role in the RSE's public outreach activities and manages the premises in George Street. Its Trustees are appointed for three years by the RSE Council. The BP Trust was created following a donation of £2m in 1988 from BP to support a scheme of three-year post-doctoral research fellowships in specified subjects and which are awarded at the sole discretion of the RSE. The RSE President, General Secretary and Treasurer are the BP Trustees, *ex officio*.

Statement of Council's responsibilities

Under charities legislation applicable in Scotland, the Council is required to prepare accounts for each financial year which give a true and fair view of the RSE's financial activities during the year and of its financial position at the end of the year. The Council is responsible for preparing the annual report and the financial statements in accordance with applicable Law and United Kingdom Generally Accepted Accounting Practice (UK GAAP).

In preparing accounts giving a true and fair view, the Council should follow should follow best practice and:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the accounts;
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the RSE will continue in operation.

The Council is responsible for keeping accounting records which disclose with reasonable accuracy the financial position of the RSE and which enable it to ensure that the accounts comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and the RSE's Laws. It is also responsible for safeguarding the assets of the RSE and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Risk management

The Audit and Risk Committee, operating on a joint basis with the Foundation and the BP Trust, reports directly to Council, the Foundation and the BP Trust. Its Chair, if not an ordinary member of RSE Council, is invited to attend Council meetings as an observer. Its remit includes keeping under review the effectiveness of internal control and risk management systems in the RSE and its connected charities. The Council believes that the existing systems and the structure of decision-taking and reporting through the staff management group, Executive Board and Council continues to provide assurance that risks are properly assessed and carefully managed.

Trustees' Report & Accounts 2007 – 2008

Objectives and Activities

Mission and Role

In keeping with its Royal Charter, the mission of the RSE is to provide public benefit through the continued advancement of learning and useful knowledge. To fulfil this, it promotes learning and puts the multidisciplinary expertise of its Fellows to work for the good of Scotland and its people. Its role is to:

- promote and recognise excellence in, and its application to, all areas of learning
- be a source of independent and expert advice on matters affecting the wellbeing of Scotland and its people
- advance public discussion on matters of national and international importance.

The difference the RSE aims to make

All of the RSE's activities aim to contribute to the following public benefit outcomes:

- increasing the number of world-class science and culture researchers working in Scotland
- increasing Scotland's research and development connections internationally
- improving connections between business and academia
- increasing the number of people in Scotland who adopt science as a career
- enhancing the public's appreciation and understanding of science and culture issues
- informing and influencing public policy decisions

Strategic Priorities

The RSE seeks to make a difference through its programmes of Core Public Benefit, Fellowship and Support services. Overarching these are the following strategic priorities:

- developing partnerships and connections with others
- providing independent advice on major issues affecting public policy
- developing arts and humanities activities and their interface with science
- broadening public engagement
- diversifying funding sources

Overview

This section describes the main achievements of the RSE, the Foundation and the BP Trust, reflecting the fact that the Financial Statements are presented on a consolidated basis.

The core public benefit programme activities of the three connected charities are described in more detail on pages 5 – 10, according to the outcomes to which they contribute.

The highlights in what was a successful year and which are detailed in the report include:

- **The second stage of the development phase of the new Arts & Humanities awards** leading to the award of two Research Network grants and three Research Workshop grants.
- **An event to celebrate the successes over the past two decades of the BP Research Fellowship Awards** attended by senior BP staff and many past recipients of the awards.

- **A visit by Jan Figel' the EU Commissioner for Education Training Culture and Youth** during which he delivered the annual EU lecture entitled *Reforming Europe's Universities – Why and How?*
- **Significant growth in the RSE's international activities** including new agreements signed with National Academies in India, Pakistan and the National Natural Science Foundation of China, and an increase in numbers of international exchanges.
- **A joint event with the National Natural Science Foundation of China (NNSFC)** in March 2008 on Management Science, Engineering and Public Policy, providing opportunity for academics from Scotland to interact with the Chinese visitors with the expectation of progressing collaborative research.
- **The announcement, at a celebration event – addressed by Sir Tom Hunter – to mark ten years of the successful RSE/Scottish Enterprise Fellowships scheme, of a new £4.4 m funding package** for up to 60 awards.
- **The fifth Gannochy Innovation Award** presented to Dr Andrew Mearns Spragg in October 2007 for his work in developing the potential of marine biotechnology. The Gannochy Trust has extended the funding of this prestigious award for a further three years.
- **RSE@Arbroath.** A year-long programme of wide-ranging public outreach activities was launched in February 2008 as a pilot scheme working closely with schools and the local community.
- **A conference to celebrate the 250th anniversary of the birth of the civil engineer Thomas Telford** concluding with a summer soirée at Telford College.
- **The presentation at Telford College, by HRH the Duke of Edinburgh, of the Royal medals for the year** and one of the inaugural **IEEE /RSE/Wolfson, James Clerk Maxwell Awards to Dr Andrew Viterbi. Dr Irwin Jacobs** received his Award on a separate occasion.
- **Mock Trial – Are our civil liberties being unduly eroded?** An enthralling debate held in November 2007 chaired by Dr Magnus Linklater where Baroness Helena Kennedy QC and Lord Charles Falconer QC were joined by six leading witnesses.
- **The project to erect a statue of James Clerk Maxwell in George Street** progressed apace and it is expected to be completed and installed in autumn 2008.
- **Inquiry into the Future of Scotland's Hill and Island Areas** launched in May 2007, to find ways to help secure a prosperous and environmentally-sustainable future for Scotland's rural areas.

The financial outcome for the year was satisfactory; the consolidated financial results for the year were net incoming resources of £174,000 in a year when income was expected to fall or remain static. The position was assisted by a positive contribution from property and investment income as well as the receipts for the James Clerk Maxwell statue. The net assets at 31 March 2008 were affected by the impact of the turbulent stock markets on investment values, but overall returns on investments remain ahead of benchmarks.

Trustees' Report & Accounts 2007 – 2008

Performance Monitoring

The performance of the RSE and its connected charities, relative to the detailed output targets set in the Operational Plan, is reported quarterly to the Executive Board, and thereafter to RSE Council and to the Trustees of the connected bodies. The overwhelming majority (>95%) of the targets were reached or exceeded; those that were not arose either through external factors or not being able to secure or apply the necessary resources.

Further progress was made during the year in establishing outcomes flowing from the output targets in the Operational Plan. This is being further developed during 2008/09 to ensure the measurement of short, medium and long-term outcomes is an integral part of the Society's performance monitoring systems.

Achievements in the year

1 Increasing the number of world-class science and culture researchers working in Scotland

The RSE's Research Awards continued to support some of the most outstanding young scientists and innovators working in Scotland today. The benefits of their research are far-reaching, with work in areas such as healthcare, IT, electronics, engineering, arts and humanities, and improving the quality of life of our ageing population. All are playing their part in advancing the social and economic well-being of Scotland. It is only through valuable partnerships with key bodies such as BP, the Caledonian Research Foundation, the Lloyds TSB Foundation for Scotland and the Scottish Government that we are able to provide these awards. To each of these partners, we offer our sincere thanks for their continuing support.

The year started with a very successful event, on 13 April 2007, to celebrate the success of the BP Trust Research Fellowships. This event also provided an opportunity for senior BP staff, including its then Chief Executive, Lord Browne, to hear more about the research the BP Research Fellows, past and present, were working on and what they had achieved. The RSE/BP Trust Research Fellowships were established in 1988, when British Petroleum generously provided an endowment of £2 million. Since then, 30 BP Research Fellowships have been awarded by the RSE, across a range of subject areas agreed with BP. Many past and present BP Research Fellows attended this event, giving them the opportunity to highlight to BP the significant impact and importance the Fellowships have had on their careers. The event included an overview of the scheme by Professor Peter Holmes with a response from Lord Browne, followed by presentations from Professor Miles Padgett, FRSE, and Professor Roger Watt, FRSE, both former BP Research Fellows.

Each year the RSE holds a Reception, for an invited audience, including funders and policy makers, to announce the awards. In 2007 it was held at the RSE and combined the announcement of the 2007 awards with the opportunity for Fellows and researchers to meet and discuss the research currently being funded over poster presentations.

The following awards were made during 2007 – 2008:

- two BP Personal Research Fellowships
- three Scottish Government Personal Research Fellowships
- three Scottish Government Support Fellowships
- one Lloyds TSB Foundation for Scotland PhD Studentship
- one Lloyds TSB Foundation for Scotland Personal Research Fellowship
- one Lloyds TSB Foundation for Scotland Support Research Fellowship
- one Lloyds TSB Foundation for Scotland Research Workshop
- eight CRF European Visiting Research Fellowships in Arts, Humanities & Social Sciences
- three Arts & Humanities Research Workshops
- two Arts & Humanities Research Networks
- Cormack Prizes: one Undergraduate Prize, one Postgraduate Prize and six Vacation Research Scholarships, plus one Piazzi Smyth Vacation Scholarship
- Four Lessells Travel Scholarships

Evaluation training and communication skills training are also now being provided for the Lloyds TSB Foundation for Scotland Research Fellows and Students. In addition the RSE organised a successful Workshop as part of the Lloyds TSB Foundation for Scotland Annual Forum: this year Professor John Speakman, Dr Linda Ferrington and Mr Charles Duffy gave presentations about their research work and answered questions from the audience. Poster presentations were provided by some Personal Research Fellows and Students.

Following the success of the Society's pilot scheme in Arts and Humanities in 2007, the development phase of this new scheme was progressed with funding from the RSE Development Fund to include the introduction of Research Networks. The programme of Research Networks is designed to create and/or to consolidate collaborative partnerships over a two year period. 'Partnerships' are defined in a range of ways, and may involve collaboration between colleagues in different disciplines (which may extend into areas beyond the arts and humanities), in different HEIs, and/or in HEIs and Scottish Cultural Institutions. Two Network awards were made in early 2008, along with three Workshop awards. The Society plans to continue the development of this award scheme by providing small research grants in 2008/09.

The Royal Medals of the Royal Society of Edinburgh are its most prestigious award recognising research excellence and scholarship. The 2007 medals were awarded to Sir Thomas McKillop, for his outstanding contribution to business and public service in Scotland and internationally, particularly in the fields of biotechnology and finance; to Professor John Laver CBE for his outstanding contributions to the Humanities and Social Sciences, particularly in the field of phonetics, and his inspired academic leadership; and, to Professor Sir David Carter, for his outstanding contribution to Life Sciences as a Surgeon, a clinical academic and a leader in the field both nationally and internationally.

Trustees' Report & Accounts 2007 – 2008

Achievements in the year

2 Increasing Scotland's research and development connections internationally

The RSE's International Programme has once again developed and expanded. New agreements to facilitate research collaboration were signed with the National Natural Science Foundation of China in July, the Pakistan Academy of Sciences in November and the Indian National Science Academy in December. Discussions also took place on a number of other agreements due to be signed during 2008/09.

The International Exchange Programme continued to be very successful. Visits totalling 97 person-weeks took place through the RSE's Bilateral Programme, run with sister academies in India, Pakistan, Slovenia, Czech Republic, Hungary, Poland and Taiwan (an increase from 69.5 person-weeks in the previous year). Interest in the Open Programme remained high; visits totalling 139 person-weeks took place, with visits to and from Australia, Belarus, Canada, Denmark, France, Germany, Israel, Italy, Japan, Kenya, Malaysia, Mexico, Nepal, Nigeria, Portugal, Russia, Singapore, South Africa, Spain, Turkey, Ukraine and the USA.

During the year the RSE also ran the second round of its Joint Project scheme with the National Natural Science Foundation of China (NNSFC), which facilitates international collaboration between researchers based in Scotland and China over a two year period. Interest in this scheme increased significantly, and the RSE was pleased to have been able to make five awards, to researchers based at the Macaulay Land Use Research Institute, the University of Edinburgh, Heriot-Watt University and two research groups at the University of Aberdeen.

In order to promote the RSE's international activities and funding schemes, promotion workshops were held in HEIs around Scotland. These have provided an opportunity for academics, researchers and administrative staff to discover more about the RSE's funding schemes, and as a result there has been an increase in enquiries and applications for them.

The RSE was also involved in several other high-profile international events, including:

- A joint event with the NNSFC on Management Science, Engineering and Public Policy. The NNSFC brought a delegation to Scotland comprising eight senior academics and three NNSFC staff members to explore opportunities for research cooperation. The two day workshop gave opportunities to colleagues from Scotland to interact with the Chinese visitors and to identify areas of mutual interest with the expectation of progressing collaborative research. The event was attended by Fiona Hyslop MSP, Scottish Government Cabinet Secretary for Education and Lifelong Learning.
- Annual EU lecture, given this year by Jan Figel', Commissioner for Education, Training, Culture and Youth on the subject of *Reforming Europe's Universities – Why and How?*
- An important reception to tie in with a conference at St Andrews University. The Conference brought together Scottish academics and Vice-Chancellors of five Pakistan universities to discuss academic capacity building. The reception was an opportunity for Scottish-based academics to meet with their Pakistan-based counterparts and discuss possible areas for collaboration.

3 Improving connections between business and academia

The Enterprise Fellowship schemes run by the RSE are designed to foster commercialisation of technology based ideas from academic institutions into spin-out companies. This activity helps create sustainable companies with high-value jobs and contributes to the Scottish economy in the medium term.

The RSE administers three Enterprise Fellowship Schemes, funded separately by Scottish Enterprise (SE), the Science and Technology Facilities Council (STFC, formerly PPARC) and the Biotechnology and Biological Sciences Research Council (BBSRC).

Following a very positive independent review of the Scottish Enterprise Fellowships programme, by Ernst & Young, the Board of Scottish Enterprise agreed to provide £4.4m to fund the programme for another five years making a total of sixty new Fellowships available. An event to celebrate ten years of the SE Enterprise Fellowships and to launch Phase III of the programme was held in the Mitchell Library, Glasgow, on 19 March 2008. The keynote speaker was Sir Tom Hunter who encouraged the Enterprise Fellows present by telling them "Scotland needs you!" An exhibition of nineteen photographs of Enterprise Fellows, commissioned by Scottish Enterprise, ran throughout the evening.

The Research Council schemes operate on a UK-wide basis. The BBSRC scheme attracted an encouraging number of applications and following a rigorous selection process, four BBSRC Enterprise Fellows took up post in October 2007. One STFC Enterprise Fellowship was awarded to start in October 2008.

The Gannochy Trust Innovation Award of the Royal Society of Edinburgh is Scotland's highest accolade for individual achievement in innovation. It was created in 2003, in partnership with the Gannochy Trust, to encourage and reward Scotland's young innovators for work that benefits Scotland's well-being. The purpose of the award is to encourage younger people to pursue careers in fields of research that promote Scotland's inventiveness internationally, and to recognise outstanding individual achievement that contributes to the common good of Scotland. In 2007 the award was presented to Dr Andrew Mearns Spragg of Aquapharm Bio-discovery Ltd, Oban, for his innovative development of antibiotics, from marine micro-organisms, to target chronic multi-drug-resistant infections, including MRSA. The award was presented to Dr Mearns Spragg by Sir Michael Atiyah PRSE at the Royal Museum of Scotland in October 2007. The Gannochy Trust has confirmed its commitment to continue to fund the award for a further three years and the RSE is extremely grateful for this continuing support.

The 2007 IEEE / RSE / Wolfson James Clerk Maxwell Award was given jointly to Dr Irwin Jacobs and Dr Andrew Viterbi, co founders of Qualcomm Incorporated for fundamental contributions, innovation and leadership, that enabled the growth of wireless communications. Dr Viterbi was presented with his award at the Fellows Summer Soirée at Telford College in July 2007. Dr Jacobs received his Award prior to his lecture following the RSE's Annual Statutory Meeting.

Trustees' Report & Accounts 2007 – 2008

Achievements in the year

4 Increasing the number of people in Scotland who adopt science as a career

The Young People's programme covered the length and breadth of Scotland with:

- **20 RSE@Schools.** Lecturers visited schools throughout Scotland, from Dumfries to the Highlands, and covered diverse topics, including forensic science, astronomy, genetics, physics, biology, the chemistry used in common medicines and the science behind computers.
- **10 RSE Maths Masterclasses.** Maths Masterclasses involve Saturday morning games and puzzles for P6/7 students to encourage an interest in mathematics. This year the classes were held in the spring term in partnership with Professor Jack and Teresa Carr, Aberdeen City Council and the University of Dundee.
- **5 School Energy Talks/Debates.** These talks/ discussions took place in the spring term led by Dr. Malcolm Kennedy, Professor Maxwell Irvine and Professor Roger Crofts. S5 and S6 students debated and discussed the following topics: energy sources, energy efficiency and the role of Government and the public.
- **Primary School Resource.** A primary school resource which included a series of activities celebrating Thomas Telford was produced for pupils and teachers and distributed to Primary schools in support of the Thomas Telford conference held in July 2007.
- **2 week long Science, Engineering and Technology Summer Schools.** These took place in July and August 2007 in partnership with Heriot-Watt University and give Highers students a 'hands-on' insight into university life.
- **51 RSE Startup Science Masterclasses.** The Startup Science Masterclasses take place on Saturday mornings in the form of workshops for S1/S2 students and emphasise the role of science, engineering and technology in society. These workshops ran in partnership with Dundee, St Andrews, Aberdeen, Glasgow and Heriot-Watt Universities in spring 2007, autumn 2007 and spring 2008 terms.
- **Secondary School resource.** A secondary school resource *Tall Tales about the Mind and Brain* was produced and distributed to all participating secondary schools as part of the Tall Tales conference which took place in September 2007.
- **The Annual Inspiration Awards.** In October Professor Anthony Busuttill, Dr. Bruce Davies, Mr Bob Kibble, Dr. Val Mann and Dr. Susan Armstrong were given prizes as part of the Annual Inspiration Awards ceremony recognising their contributions to the RSE's education outreach programme.
- **Science Inside Computers.** 13,380 computer career brochures were distributed to all Secondary Schools in Scotland by the RSE in conjunction with Glasgow University in November 2007.
- **RSE Roadshows.** The autumn Road Show took place in Falkirk in November 2007 and in Arbroath in February 2008. The two day events included a variety of bridge building, maths and 'what's in a name?' workshops for Primary school pupils, a forensic science workshop and talks for secondary school students and a physics talk *Does God play Dice?* by Professor Miles Padgett for the wider community.

- **The Christmas Lecture.** The 2007 RSE Christmas Lecture was given by Johnny Ball, broadcaster and author, and took place at the Universities of Edinburgh and Glasgow on 17 and 18 December. The lecture was entitled *Wobbling on the Shoulders' of Giants* and was presented during the day to local school students and to the general public in the evening.
- **RSE@Arbroath.** The RSE@Arbroath 2008 year-long programme of outreach activities was launched in February 2008 and the first theme entitled *Identity and the People of Arbroath* included the spring Roadshow and two evening lectures for the general public. This is a pilot venture in which the RSE is focusing on one geographical area, beyond the central belt. Working collaboratively, key organisations in and around the town are teaming up to celebrate and explore the achievements and cultural diversity of Arbroath. The activities are being delivered by drawing upon a combination of local and outside expertise, including RSE Fellows, Arbroath Primary and Secondary schools, Angus College, youth and drama groups, businesses, the local Council and the tourist board. The opportunity for the RSE to join forces with these community organisations arose from the enthusiastic reception that visiting RSE speaker, Professor Sue Black OBE, FRSE received when she gave talks in Arbroath Academy on *Identity and Forensic Anthropology* in 2004. RSE@Arbroath encompasses the arts and humanities, as well as science and technology based subjects. The programme will culminate with the RSE Christmas Lecture in December 2008, to be given by Professor Anne Glover FRSE, the Chief Scientific Adviser to the Scottish Government, who also hails from Arbroath.

5 Enhancing the public's appreciation and understanding of science and culture issues

A Communications

The RSE website was updated regularly and provided information for Fellows and the public. Details of all the activities supported by the RSE were posted on the site, as were reports from events and press releases. The majority of application forms for Research Awards and Exchange Fellowships submitted can be downloaded from the site and lecture tickets are increasingly being processed online. Media briefings and press releases were provided for all major events and launches and there was appreciable media coverage of many of the significant activities in the RSE programme. Several events were web-cast during the year; some were available to view live and all can now be viewed from the RSE website.

Four issues of *ReSource*, the RSE newsletter were published and distributed to the Fellowship and around 2,000 others, including business leaders, journalists, research institutes, schools, MPs, MSPs and interested individuals. Fellows also received a monthly e-bulletin, which enabled them to keep up to date with and, if appropriate, further disseminate information on the RSE and its work. The sixth issue of *Science Scotland* (on Imaging) was published in June 2007. *Science Scotland* aims to promote the excellence of Scottish research, particularly to an overseas audience and this edition was translated into Chinese. The English and Chinese versions have been widely distributed and both are available on the RSE web site. Two more editions are currently being planned, one on Advances in Electronics and the other with a focus on Life Sciences.

Trustees' Report & Accounts 2007 – 2008

Achievements in the year

5 Enhancing the public's appreciation and understanding of science and culture issues

B Journals

The RSE continues its long tradition of publishing with its two journals, *Transactions: Earth Sciences* and *Proceedings A: Mathematics*, which are published on behalf of the RSE by the Foundation. In 2007, *Transactions* was re-titled *Earth and Environmental Science Transactions of the Royal Society of Edinburgh* and re-launched, with a broader remit and a modern full-colour cover design. Copies of the journals are sent to over 300 University libraries, academies and institutions world wide, as part of the Society's long-standing exchange programme. The journals are highly regarded by academics as publication vehicles for their research, and they both maintained a respectably high impact factor in comparison with similar journals in their fields. Cambridge University Press now handles the subscription fulfilment, distribution and marketing for both journals.

Six issues of *Proceedings A* were published during the 2007/08 financial year on a regular bi-monthly schedule – issues 137.2 to 138.1 inclusive. Three issues of *Transactions* were published – Part 3 of volume 97 and Parts 1 and 2 of volume 98. Issue 98.1 was a Special Issue of invited papers entitled *Holocene Environmental Change – Lessons from Small Oceanic Islands* chosen specifically to reflect the environmental theme. In addition, three further issues (one single and one double) were in press by the end of the financial year. The first of these, a Special Issue entitled *Plutons and Batholiths* (issue 97.4, comprising 15 papers) is a Memorial volume to the late Wallace Pitcher, a distinguished granite geologist and Honorary FRSE. The Special Issue entitled *Brachiopod Research into the Third Millennium* (issue 98.3/4, comprising 23 papers) is dedicated to the late Sir Alwyn Williams, distinguished palaeontologist and Past President of the RSE.

C Events

The Events Team delivered a wide range of public events:

Twenty-five public lectures were held, amongst which were:

- *Optos: The Design Challenges and Business Tribulations* by Mr Douglas Anderson, Executive Director, Optos plc
- Gannochy Trust Innovation Award Prize Lecture – *New Antibiotics from the Sea Bed to the Hospital Bed* by Dr Andrew Mearns Spragg, CEO, Aquapharm Bio-Discovery Ltd
- *The Commandos from Arbroath. Famous Campaigns* by Captain Air and L.Cpl. A.J. Hare
- James Scott Prize Lecture – *Security, Insecurity, Paranoia and Quantum Mechanics* by Professor Stephen Barnett FRS FRSE, Professor of Quantum Optics, Department of Physics, University of Strathclyde
- IEEE/RSE/Wolfson James Clerk Maxwell Award lecture – *Reflections on the amazing and Ubiquitous Cellphone* by Dr Irwin Jacobs, Chairman, Qualcomm
- *Tall Tales about the Mind and Brain* by Professor Michael C Corballis, Department of Psychology, University of Auckland and Professor James Alcock, Department of Psychology, University of York, Toronto

- Henry Duncan Prize Lecture – *The Highlands: Scotland's Great Success Story* by Professor James Hunter CBE FRSE, Director, UHI Centre for History
- *Architecture in Nano-Space* by Professor Sir Harry Kroto FRS HonFRSE, Royal Society Research Professor, School of Chemistry, Physics and Environmental Science, University of Sussex
- Caledonian Research Foundation Prize Lecture – *Can Information be Private?* By Baroness Onora O'Neill of Bengarve, President, The British Academy
- *The Unpredictability of Science and Its Consequences* by Sir John Meurig Thomas FRS HonFREng HonFRSE, Honorary Professor, Department of Materials Science, University of Cambridge and former Director, Royal Institution of Great Britain

Several full proceedings have been published and are available in hard copy from the RSE, or on the RSE website. In addition recordings and written summaries of most lectures are available on the web.

- The RSE lecture as part of the sixteenth series of The Edinburgh Lectures 2007/08 was on the theme of *Inspiring People Changing Landscapes: Changing Planet*. This was presented by The Royal Society of Edinburgh in association with the Edinburgh Lectures Partnership, Careers Scotland and the Association of Space Explorers. The speakers were two Russian cosmonauts, Sergei Avdeev and Viktor Savinykh and Dr Jay Apt, a NASA astronaut.

Four public discussion forums were held on:

- Global Horizons for UK Universities
- National Cultural Flagships: Music and Opera (the first in a series of seminars exploring what it takes to be a 'National cultural flagship') Speakers included: Mr Jonathan Mills, Festival Director and Chief Executive, Edinburgh International Festival and Mr Roy McEwan, Managing Director, Scottish Chamber Orchestra
- Mock Trial – *Are our Civil Liberties Being Unduly Eroded?* Baroness Helena Kennedy QC, Lord Charles Falconer QC and Magnus Linklater were joined by six leading witnesses
- *The Ageing Population* – Part of the Lloyds TSB Foundation for Scotland Annual Forum

These all met with an encouraging response, with numbers attending being over target in most cases.

Five public conferences were held:

- Caledonian Research Foundation Biomedical Conference – *Inflammation and Inflammatory Disease*
- *Tall Tales about the Mind and Brain*
- *The 250th Anniversary of the Birth of Thomas Telford*
- *Union of 1707*
- *Energy for Scotland: is there a consensus?*

Full reports of these conferences were published.

In addition there were events primarily for Fellows and these included the New Fellows admission ceremony and induction in May; the Fellows' Summer Reception in July and the Annual Statutory Meeting in October.

Trustees' Report & Accounts 2007 – 2008

Achievements in the year

6 Informing and influencing public policy decisions

In May 2007, the RSE launched an Inquiry into the Future of Scotland's Hill and Island Areas, to find ways to help secure a prosperous and environmentally-sustainable future for Scotland's rural areas, especially the more economically-fragile communities. The inquiry report will make recommendations that seek to respond not only to threats posed by changes in agricultural support as a result of present and anticipated reform to the Common Agricultural Policy, but also to the opportunities for expansion in other parts of the economy, such as tourism and forestry, and measures to safeguard the environment. Over the course of the year, the Inquiry committee, which is chaired by Professor Gavin McCrone, received 80 pieces of written evidence, and heard oral evidence from 25 organisations at the RSE, and from numerous stakeholders across the country during its visits to Islay, Mull, Skye, Selkirk, Dumfries, Inverness, the Western Isles, Orkney, Shetland and Aberdeenshire. The Inquiry is expected to report in late summer 2008. We are grateful to the following organisations for their support for this work: Argyll and Bute Council, Comhairle nan Eilean Siar (Western Isles Council), Highlands and Islands Enterprise, Highland Council, Lisbet Rausing Trust, MacRobert Trust, Orkney Islands Council, Perth and Kinross Council, Robertson Trust, Royal Highland and Agricultural Society Scotland, Scottish Enterprise Rural Group, Scottish Estates Business Group, Shetland Islands Council, Scottish Forestry Trust, South of Scotland Alliance, UPM Tilhill.

In September 2007, the RSE published a Report from its Working Party on Avian Influenza, providing an assessment of the threat to Scotland. The report concluded that Avian Influenza viruses posed a significant threat to the poultry industry, but that the risk of a new human pandemic strain of virus evolving in Scotland or elsewhere in the UK was remote. The report's 11 recommendations highlighted the need for an improved wild bird surveillance programme for the presence of avian influenza viruses; the provision of biosecurity information to the poultry industry; and the use of vaccines in the prevention and control of avian influenza.

Using the expertise of its Fellows, the RSE responded to various consultations and submitted evidence and advice to 11 parties, including the Scottish Parliament Rural Affairs and Environment Committee's Inquiry on Flooding and Flood Management, The House of Lords Economic Affairs Committee Inquiry into the Economic Impact of Immigration, and The House of Commons Science and Technology Select Committee's Inquiry into Renewable Energy-Generation Technologies. These submissions are available on the RSE website. Most of these responses were carried out using small expert working groups.

During the year the RSE and The Royal Society of Chemistry jointly appointed their first Scottish based Parliamentary Liaison Office, Bristow Muldoon. The post has been created to make it easier for MSPs and Researchers of all parties to tap into the wide-ranging knowledge and expertise both organisations offer. The Society encouraged the establishment of a Cross Party Group in the Scottish Parliament on Science and Technology to stimulate debate amongst MSPs on current issues of relevance and interest to policy makers. Formally recognised by the Parliament, the group elected Dr Elaine Murray MSP and Dr Bill Wilson MSP as Co-conveners. All political parties in the Parliament are represented, and a broad range of organisations with an interest in science have expressed an interest in supporting the group. The first main meeting took place in May 2008 on the topic of carbon capture and storage.

The Fellowship Programme

The RSE's Fellowship includes men and women from all parts of Scotland, the UK and overseas, and encompasses the full range of disciplines, including science, engineering, social sciences, arts, humanities, law, education, business and industry.

On March 3 2008, the RSE announced the election of 4 new Honorary Fellows, 6 new Corresponding Fellows and 55 new Ordinary Fellows. This followed the scrutiny in 2007 of 168 candidates through a four-stage committee process, culminating in the postal ballot in December to the entire Fellowship. The addition of new Fellows in 2008 brought the numbers in the Fellowship up to 1,500 – 69 Honorary Fellows; 47 Corresponding Fellows and 1,384 Ordinary Fellows.

The discipline balance of the Fellowship is broadly represented by four cognate sectors. In the Ordinary Fellowship the current balance of these sectors is 35.9% (A-Life Sciences), 37.1% (B-Physical Sciences, Maths and Informatic Sciences), 19.2% (C-Social Sciences, Arts and Humanities) and 7.8% (D-Economics, Business and Industry). This again represents a slight increase from last year in the representation of those from the latter two groups.

The RSE hosted its annual induction day for the new Fellows. This provided an opportunity for them to meet with members of Council, the Executive Board and RSE staff, and to be formally admitted to the Society. One Honorary Fellow, three Corresponding Fellows and 49 Ordinary Fellows attended.

The nomination and selection process for Fellowship is refined every year, and this year a major review of procedures was carried out. As a result, an additional Sectional committee in Sector D and changes to Sector C have been implemented for the 2008-2009 election cycle.

RSE Scotland Foundation

In addition to the publication of journals detailed in section 5B above, the Foundation has been successfully facilitating the dissemination of useful knowledge through letting the conference facilities in George Street. Gross income from this activity was higher than the previous year, through an increase in numbers of lettings and increased recovery of costs incurred. The Foundation is also responsible for letting surplus space to tenants; rooms are occupied by Universities Scotland, the Institute of Conservation (ICON) and Lakeland Ltd. The income generated from this supports public benefit programmes.

On 1 January 2008, the Scottish Bioinformatics Forum (SBF) began operating under the governance of the Foundation. Two members of SBF staff joined the RSE on secondment from the University of Edinburgh and are based in George Street where they continue to deliver the Forum's work which initially began in 2006. The SBF is funded through the Scottish Bioinformatics Research Network and its aim is to enhance knowledge and understanding of bioinformatics technology in both the informatics and life sciences communities. This new activity for the Foundation further enables it to meet its primary charitable purpose of advancing science, engineering and technology.

The Foundation has also continued to facilitate the construction and installation of the statue of James Clerk Maxwell commissioned from Alexander Stoddart, in a project championed by the RSE President Sir Michael Atiyah. Funds raised have been passed to the Foundation to disburse. The project is progressing well, with the final plaster model now ready to be cast in Bronze, and its installation in George Street in autumn 2008 is eagerly awaited.

Trustees' Report & Accounts 2007 – 2008

BP Research Fellowships Trust

The RSE's relationship with BP was reinforced following the BP Fellowships Reception in April 2007. Mr David Campbell, Technical Director at BP in Dyce, Aberdeen, has become the new BP Observer on the Selection Committee and the BP Trust is grateful for his commitment and support. The Trust awarded two BP Fellowships in 2007/08 because the quality of applicants was exceptionally high.

Future plans

Plans for 2008-09 have been developed in the context of the Strategic Framework covering 2007 – 2012. The RSE continues to aim to make a difference and all of its activities are planned with a view to contributing to the public benefit outcomes listed on page 4.

The planning and delivery of these activities will be guided by the strategic priorities listed on page 4, and these will also be the main focus of the activities.

The Operational Programmes for 2008/09 will continue to be: Core Public Benefits, the Fellowship and Support Services.

New President

In March 2008 it was announced that the next RSE President will be Lord Wilson of Tillyorn, Governor of Hong Kong from 1987 to 1992. He will take over as President when Sir Michael Atiyah demits office in October 2008. Lord Wilson has been a Fellow of the RSE since 2000 and served on Council in 2000–2001 and 2002–2004. He was Convenor of the International Committee from 2001–2002.

Financial review and policies

Investment powers and policy

The management of the investment funds of the RSE and the BP Research Fellowships Trust is carried out by Speirs & Jeffrey & Co on a discretionary basis. The objectives set by the Council are first to ensure a sufficient level of income to meet the target set annually by the Council and thereafter to invest for capital growth. The Council has delegated the detailed monitoring of performance to an Investment Committee, which includes at least one ordinary member of Council, and which makes comparisons against a composite benchmark reflecting the mix of assets held and the WM Charities Income Constrained Index.

The income targets for both portfolios were exceeded and the total return values for each part of the portfolio exceeded the benchmark by 3.8% (RSE) and 2.7% (BP Research Fellowships Trust).

The Investment Committee meets twice annually with the investment managers to discuss their compliance with the constraints set by the Committee and risk environment. In the year under review no compliance issues arose which required to be reported to the Committee.

Operating policies – grant making

The RSE makes grants to individuals in higher education institutions in support of research activities in the categories of postdoctoral Research Fellowships, Support Research Fellowships, Post-graduate Studentships, undergraduate Vacation Scholarships, Enterprise Fellowships and international exchange grants. Each of these categories is specifically funded from various sources, including the RSE's restricted funds. The basis of eligibility and selection varies according to the detailed scheme regulations, which are published on the RSE's website (www.royalsoced.org.uk).

Grants are also made in support of research activities of Fellows of the RSE, including support for travel connected with research or scholarship, small scale specialist meetings, to assist research visitors to Scotland to undertake collaborative research work with a Fellow, to assist a visiting lecturer to come to Scotland, to assist research collaboration between two institutions in Scotland or between universities and industry and to assist in the publication of books written by Fellows. These grants are funded by the RSE's designated Grants Fund. The Grants Committee is responsible for making awards in accordance with the detailed rules set out by the Council of the RSE for the disbursement of the Grants Fund.

Reserves policy and funds

The RSE holds a number of restricted funds resulting from bequests for particular purposes, details of which are set out in note 2 to the financial statements. The Council has created designated funds, from its unrestricted funds, the purposes of which are also set out in note 2 to the financial statements. The General Fund represents the balance of unrestricted funds arising from past operations.

The Council has examined the requirement to hold unrestricted funds, and concluded that, whilst the present level of reserves gives adequate working capital for core costs, it would be desirable to have a General Fund reserve in the range of six months' expenditure on central costs. The Council has also reviewed the purposes and amounts of each of the designated funds and concluded that in future the designated funds should comprise allocations for specific purposes of those sums that had been donated, rather than generated from past surpluses, together with the Capital Asset Reserve. Accordingly, the year end balances of the Building Maintenance Fund and the Staff Restructuring Fund have been transferred to the unrestricted General Fund.

Trustees' Report & Accounts 2007 – 2008

Financial review and policies

Result for the year

The consolidated net incoming resources were a surplus of £174,000, of which monies raised, net of costs paid, towards the statue of James Clerk Maxwell comprised £119,000. As well as this specific project, this result is after charging £53,000 of expenditure in relation to restricted purpose income received in 2006 – 2007 in advance of carrying out the activities for which the income was provided. SORP 2005 requires that such income be recognised as received and placed in a fund against which the future costs are set.

The net movement in funds for the year after including gains on investments, and FRS 17 pension movements was £55,000 overall. This reflects the positive FRS17 adjustment of £217,000 offset by decreases in the value of the investment portfolio of £335,000, of which £4,000 was realised as a result of sales in the year.

Income and Expenditure

Total incoming resources

Total incoming resources of £3.5m have decreased by 3.76% or £0.137m from last year. This comprises increases in voluntary income and investment income offset by a decrease in income for charitable activities. In total the figure is equal to that received last year after adjusting for the effect of legacies received. Voluntary income (note 4), which includes grants, has increased mainly as a result of the receipts for the James Clerk Maxwell statue.

Subscription income from Fellows, including generous support from voluntary contributions, and associated Gift Aid tax recovery, increased by 4.5% (£8,000).

Investment income (note 4) comprises dividend income and interest received on cash, both of which were ahead of target. The majority of these assets are held in the designated and restricted income funds.

Incoming resources from charitable activities (note 5) fell by 14% or £316,000. This reflects a fall in income of £232,000 due to the completion of phase II of the Enterprise Fellowships scheme, and the cessation, in late 2006, of the grant for the Scottish Science Advisory Committee. This was partly offset by new funding streams such as the sponsorship of the IEEE/RSE/Wolfson, James Clerk Maxwell award and donations for the Hills and Islands Inquiry.

Resources expended

Total resources expended have decreased by 2% (£0.06m) from last year. This includes the unmatched expenditure of £53,000 in relation to restricted income brought forward.

Cost of generating funds (note 6) includes the cost of the Fellowship office, the costs of building management in respect of income from letting of surplus space, as well as fundraising costs, both direct and management time in securing funding, such as the new contract for Enterprise Fellowships.

Overall, expenditure on charitable activities has decreased by £75,000 (2.5%). Grants payable have remained stable at £1.7m. Within this sum there was an increase of 15% in the expenditure in support of promotion of research offset by a 40% fall in the support of innovation through Enterprise Fellowships. The

expenditure on the international programme has increased by 12%, including expenditure of £38,000 of restricted income brought forward. The programmes for promotion of science as a career and enhancement of public appreciation of science and culture have remained broadly stable. Expenditure on influencing public policy has fallen sharply as a result of the changes made to the Scottish Science Advisory Committee.

Governance costs, which have remained at a similar level to previous years, represent 4.5% of total income.

As a result of the review of reserves policy, there are transfers between funds shown in the Statement of Financial Activities to return the year end balances of the Building Maintenance Fund, the Staff Restructuring Fund, the Development Appeal Fund and the Programme Fund to the General Fund. There is also the recurring transfer from the Capital Asset Reserve of a total of £101,000 to match the depreciation of buildings and the capital repayment of the loan to the Foundation; and a transfer on consolidation from the Foundation restricted fund balance to the General Fund equivalent to the net inter-entity income received in the RSE.

Balance sheet

Consolidated net assets show a slight increase, being up 0.4% overall to a total of £11.87m; the major reasons being a 5% decrease in the investment portfolio reflecting unrealised losses of £331,000, and a £217,000 increase in the FRS17 pensions adjustment, increasing the previously reported asset to £292,000.

Net current assets increased by 19% to £1,759,000, comprising mainly cash generated, reduced by an increase in creditors relating mainly to deferred income for Journals and the Hills and Islands Inquiry. Of the total cash balance, £700,000 (2007 – £663,000) relates to restricted funds.

Conclusion and future prospects

The RSE continues to work to strengthen its financial base. As well as the achievements in 2007/08 of securing additional ongoing funding for Enterprise Fellowships and the Gannochy Innovation Award, there was success in the Government Spending Review, where the RSE was awarded funding to support the implementation of the recommendations of the review of Research Fellowships carried out in 2005 – 06 by Sir John Enderby. This will have a significant impact on income and expenditure over the three years of the Spending Review, with expenditure in this area expected to rise from £0.7m in 2007 – 08 to £2m.

As part of the strategy of diversifying funding sources, steps have been taken in 2008 – 09 to put in place resources to develop innovative programmes which will contribute to our public benefit outcomes and attract funding from public, private or charitable sources. These steps include the new appointment of a Director of Business Development. This may take some time to have its full effect but it is expected that some impact will be seen in the current year.

Signed on behalf of the Council
Edward Cunningham CBE
Treasurer
1 September 2008

Trustees' Report & Accounts 2007 – 2008

Independent auditors' report to the Council of the Royal Society of Edinburgh

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

We have audited the financial statements of The Royal Society of Edinburgh (RSE) for the year ended 31 March 2008 which comprise the group statement of financial activities, the charity statement of financial activities, the group balance sheet, the charity balance sheet, the cashflow statement and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely 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 and the laws of the RSE. Our audit work has been undertaken so that we might state to the charity's 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 charity 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 responsibilities of the trustees for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK 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 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 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 audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK 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 charity's circumstances, consistently applied and adequately disclosed.

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 of the state of the group's and the charity's affairs as at 31 March 2008 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005, regulation 8 of the Charities Accounts (Scotland) Regulations 2006, the laws of the RSE and UK Generally Accepted Accounting Practice; and
- the information given in the Trustees' Annual Report is consistent with the financial statements.

Henderson Loggie

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

September, 2008

Trustees' Report & Accounts 2007 – 2008

Group statement of financial activities
(incorporating the income & expenditure account)
for year ended 31 March 2008

	Note	General Fund	Designated Funds	Restricted income	Restricted funds	2008 Total	2007 Total
		£	£	£	£	£	£
Income							
Voluntary income	4	651,943	9,368	211,700	58,047	931,058	845,466
Activities for generating income	4	–	–	–	241,652	241,652	208,329
Investment income	4	68,969	79,495	–	245,197	393,661	333,128
Incoming resources from generated funds		720,912	88,863	211,700	544,896	1,566,371	1,386,923
Incoming resources from charitable activities	5	168,446	–	1,506,205	261,101	1,935,752	2,252,077
Total incoming resources		889,358	88,863	1,717,905	805,997	3,502,123	3,639,000
Expenditure							
Cost of generating funds	6	(150,002)	(9,523)	–	(61,476)	(221,001)	(207,040)
Charitable activities	6	(795,932)	(61,308)	(1,651,724)	(439,442)	(2,948,406)	(3,024,356)
Governance	6	(130,540)	–	–	(27,828)	(158,368)	(161,547)
Total resources expended		(1,076,474)	(70,831)	(1,651,724)	(528,746)	(3,327,775)	(3,392,943)
Net incoming resources before transfers		(187,116)	18,032	66,181	277,251	174,348	246,057
Transfers between funds		455,363	(362,813)	–	(92,550)	–	–
Other recognised gains/(losses)							
<i>Gains/(losses) on investment assets</i>							
Realised gains/(losses)		(160)	(1,634)	–	(2,729)	(4,523)	98,448
Unrealised gains/(losses)		(6,051)	(61,615)	–	(263,895)	(331,561)	116,878
Actuarial gains on Lothian Pension Fund		217,000	–	–	–	217,000	142,000
Net movement in funds		479,036	(408,030)	66,181	(81,923)	55,264	603,383
Balance brought forward at 1 April 2007		607,119	5,912,340	53,101	5,241,978	11,814,538	11,211,155
Balance carried forward at 31 March 2008		1,086,155	5,504,310	119,282	5,160,055	11,869,802	11,814,538

Trustees' Report & Accounts 2007 – 2008

Group balance sheet

at 31 March 2008

	Note	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Tangible fixed assets	15		4,067,558		4,161,613
Fixed asset investments					
Investments at market value	16		6,103,053		6,439,309
			10,170,611		10,600,922
Current assets					
Debtors	17	217,956		177,465	
Cash at bank and in hand		353,670		445,409	
Money Market deposits – Designated funds		–		262,236	
Money Market deposits – Restricted funds		700,163		663,850	
Money Market deposits – General funds		941,516		273,914	
		2,213,305		1,822,874	
Current liabilities					
Creditors: amounts falling due within one year	18	(453,837)		(354,345)	
			1,759,468		1,468,529
Total assets less current liabilities					
			11,930,079		12,069,451
Provision for liabilities and charges					
	19		(352,277)		(303,913)
Net assets excluding pension fund					
			11,577,802		11,765,538
Lothian Pension Fund Defined Benefit Scheme asset					
	24		292,000		49,000
Net assets after pension fund asset					
			11,869,802		11,814,538
Funds					
General Fund			794,155		558,119
Add: Pension reserve			292,000		49,000
	20		1,086,155		607,119
Designated Funds	21		5,504,310		5,912,340
Restricted Funds	22		5,279,337		5,295,079
Total funds			11,869,802		11,814,538

The accounts were approved by the Council on 1 September 2008 and signed on its behalf by:

Edward Cunningham, CBE
Treasurer

Trustees' Report & Accounts 2007 – 2008

RSE balance sheet
at 31 March 2008

	Note	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Tangible fixed assets	15		2,264,526		2,311,210
Fixed asset investments					
Investments at market value	16(a)		3,090,776		3,233,323
Loan to RSE Scotland Foundation	16(b)		1,844,328		1,891,136
			7,199,630		7,435,669
Current assets					
Debtors	17	101,029		60,541	
Cash at bank and in hand		202,623		380,941	
Money Market deposits – Designated funds		–		262,236	
Money Market deposits – Restricted funds		700,163		663,850	
Money Market deposits – General funds		941,516		273,914	
		1,945,331		1,641,482	
Current liabilities					
Creditors: amounts falling due within one year	18	(727,043)		(438,097)	
Net current assets			1,218,288		1,203,385
Total assets less current liabilities			8,417,918		8,639,054
Provision for liabilities and charges	19		(352,277)		(303,913)
Net assets excluding pension fund			8,065,641		8,335,141
Lothian Pension Fund defined benefit scheme asset	24		292,000		49,000
Net assets after pension fund asset			8,357,641		8,384,141
Funds					
General Fund			794,155		558,119
Add: Pension reserve			292,000		49,000
	20		1,086,155		607,119
Designated Funds	21		5,504,310		5,912,340
Restricted Funds	22		1,767,176		1,864,682
Total funds			8,357,641		8,384,141

The accounts were approved by the Council on 1 September 2008 and signed on its behalf by:

Edward Cunningham, CBE
Treasurer

Trustees' Report & Accounts 2007 – 2008

RSE statement of financial activities
(incorporating the income & expenditure account)
for year ended 31 March 2008

	General Fund	Designated Funds	Restricted income	Restricted funds	2008 Total	2007 Total
	£	£	£	£	£	£
Income						
Voluntary income	651,943	9,368	211,700	31,526	904,537	845,466
Investment income	159,052	79,495	–	84,381	322,928	290,210
Incoming resources from generated funds	810,995	88,863	211,700	115,907	1,227,465	1,135,676
Incoming resources from charitable activities	168,446	–	1,672,917	–	1,841,363	2,150,533
Total incoming resources	979,441	88,863	1,884,617	115,907	3,068,828	3,286,209
Expenditure						
Cost of generating funds	(150,002)	(9,523)	–	–	(159,524)	(130,582)
Charitable activities	(793,466)	(61,308)	(1,937,718)	(87,310)	(2,879,802)	(2,854,382)
Governance	(130,540)	–	–	–	(130,540)	(136,988)
Total resources expended	(1,074,007)	(70,831)	(1,937,718)	(87,310)	(3,169,866)	(3,121,952)
Net incoming resources before transfers						
	(94,566)	18,032	(53,101)	28,597	(101,038)	164,257
Transfers between funds	362,813	(362,813)	–	–	–	–
Other recognised gains/(losses)						
<i>Gains/(losses) on investment assets</i>						
Realised gains/(losses)	(160)	(1,634)	–	(1,886)	(3,680)	27,446
Unrealised gains/(losses)	(6,051)	(61,615)	–	(71,116)	(138,782)	66,778
Actuarial gains on Lothian Pension Fund	217,000	–	–	–	217,000	142,000
Net movement in funds	479,036	(408,030)	(53,101)	(44,405)	(26,500)	400,481
Balance brought forward at 1 April 2007	607,119	5,912,340	53,101	1,811,581	8,384,141	7,983,660
Balance carried forward at 31 March 2008	1,086,155	5,504,310	–	1,767,176	8,357,641	8,384,141

Trustees' Report & Accounts 2007 – 2008

Group cash flow statement

for the year ended 31 March 2008

	2008 £	2008 £	2007 £	2007 £
Cash flow statement				
Net cash inflow/(outflow) from operating activities		(42,177)		(169,778)
<i>Returns on investments and servicing of finance:</i>				
	90,727		84,824	
Dividends received	302,934		249,345	
		393,661		334,169
<i>Capital expenditure and financial investment:</i>				
Purchase of tangible fixed assets	(32,880)		(7,050)	
Proceeds from sale of investments	747,387		1,125,478	
Purchases of investments	(747,215)		(1,725,138)	
Capital receipt	21,796		10,257	
		(10,912)		(596,453)
<i>Net cash flow before financing:</i>				
Appeal receipts		9,368		11,492
(Decrease) / Increase in cash in the year		349,940		(420,570)
Reconciliation of net cash flow to movement in net funds				
(Decrease) / Increase in cash in the year		349,940		(420,570)
Net funds at beginning of year		1,645,409		2,065,979
Net funds at end of year (note 28)		1,995,349		1,645,409
Reconciliation of net movement in funds to net cash outflow from operating activities				
Net incoming resources before transfers	174,348		246,057	
Retirement benefit scheme current service cost	101,000		111,000	
Retirement benefit scheme past service cost	–		(21,000)	
Retirement benefit scheme contributions	(99,000)		(95,000)	
Retirement benefit scheme finance cost	(28,000)		(22,000)	
Appeal receipts	(9,368)		(11,492)	
Dividends receivable	(302,934)		(248,304)	
Interest receivable	(90,727)		(84,824)	
Depreciation	124,493		123,921	
Capital receipt from Mrs Silitto	(21,796)		(10,257)	
Loss on sale of fixed assets	2,442		–	
(Increase)/decrease in debtors	(40,491)		(1,989)	
Increase / (decrease) in creditors	99,492		(222,451)	
Movement on provision for liabilities	48,364		66,562	
Net cash inflow/(outflow) from operating activities	(42,177)		(169,778)	

Trustees' Report & Accounts 2007 – 2008

notes to the financial statements

1 Accounting basis

The accounts have been drawn up to comply with the provisions of the Charities & Trustee Investment (Scotland) Act 2005 and the Charity Accounts (Scotland) Regulations 2006, and follow the recommendations of the Statement of Recommended Practice for charities (SORP) approved by the Accounting Standards Board in February 2005 and applicable accounting standards. The accounts have been prepared under the historical cost accounting rules as modified to include the revaluation of investments. The accounts comprise five primary financial statements: the Group and RSE statement of financial activities incorporating the income and expenditure account, the Group and RSE balance sheet and the Group cash flow statement.

The consolidated financial statements include the financial statements of the RSE and of entities which are under its control: RSE Scotland Foundation and BP Research Fellowship Trust. As the objectives of each of these entities are narrower than the Society, they have been treated as restricted funds.

2 Funds

The RSE's funds are classified in accordance with the definitions in SORP into Restricted Funds, where there are restrictions placed by a donor as to the use of income or capital, Designated Funds where the Society has set aside sums from its unrestricted funds for a particular purpose and the General (unrestricted) Fund. The classifications made are as follows:

General Fund

A discretionary Fund available to Council to meet the ordinary activities of the Society.

Designated Funds

Capital Asset Reserve Fund – representing the book cost of the rooms at 22-24 George Street and 26 George Street together with the building project loan to the RSE Scotland Foundation.

The balances at 31 March 2008 of the Building Maintenance Fund, the Staff Restructuring Fund, have been transferred to the General Fund. These funds arose from the designation of past surpluses and may be used in future in support of general operations.

Development Appeal Fund – to provide development finance to implement the RSE Strategic Framework.

Programme Fund – a fund created to act as a source of funding for meetings activities.

C H Kemball Fund – income from this fund is used to provide hospitality for distinguished visitors from other learned societies and Academies.

Dr James Heggie Fund – income from this fund supports the RSE's activities with young people.

Grants Fund – a fund created by contributions and legacies from Fellows and used to provide grants to support research activities to Fellows.

Restricted Income Fund – income funds received for expenditure on current projects.

Restricted Funds

Robert Cormack Bequest – to promote astronomical knowledge and research in Scotland

Lessells Trust – to fund scholarships abroad for engineers

Auber Bequest – to fund research in Scotland and England by naturalised British citizens over 60 years of age

Prizes Fund – to fund various prizes

Dryerre Fund – to fund postgraduate scholarships in medical or veterinary physiology

Fleck Bequest Fund – to promote interest, knowledge and appreciation of science and its applications throughout Scotland.

Piazzi Smyth Legacy Fund – to fund high altitude astronomical research.

Sillitto Fund – to promote interest in physics among young people.

CASS Fund – to fund academic / industrial liaison

Retailing Seminar Fund – to fund a programme of seminars on retailing

Edinburgh Drug Absorption Foundation Fund – to fund a series of conferences on the broad theme of 'Drugs Futures'.

RSE Scotland Foundation – a trust to advance the education of the public in Scotland in science, engineering and technology.

BP Research Fellowships Trust – a trust to fund postdoctoral research fellowships in Scotland.

3 Accounting policies

Incoming resources

Voluntary income

Subscriptions are accounted for on the basis of the subscription year to October 2008 and include income tax recoverable on the subscriptions paid under Gift Aid.

Revenue grants are credited to income in the period in which the RSE becomes entitled to the resources.

Donations of a recurring nature from other charitable foundations and one-off gifts and legacies included in other income are taken to revenue in the period to which they relate.

Investment income

Interest and dividends are accounted for in the year in which they are receivable.

Incoming resources for charitable activities

Incoming resources for activities are accounted for on an accruals basis.

Trustees' Report & Accounts 2007 – 2008

notes to the financial statements

Publication income receivable in foreign currencies is converted into sterling at rates of exchange ruling at the date of receipt.

Incoming resources for research fellowships are accounted for in the period in which the RSE becomes entitled to the resources.

Income received for specific projects, and received in advance of the commencement of the project, is deferred. If the project were not to proceed as planned the RSE would not be entitled to retain the funds. For performance related grants, where entitlement to the incoming resource only arises with the performance of the specific outputs agreed under the contracts, income is deferred.

Resources expended

Expenditure and support costs

All resources expended are included on an accruals basis, having regard to any constructive obligations created by multi-year grant commitments.

Where directly attributable, resources expended are allocated to the relevant functional category. Overhead and support costs are allocated to functional category on the basis of direct staff costs in each area of activity.

Cost of generating funds

The cost of generating funds includes expenditure incurred in supporting the Fellowship and incurred on fundraising initiatives.

Charitable activities

Grants payable are recognised as a liability when the RSE is under an actual or constructive obligation to make a transfer to a third party. Where grants are time related to future periods and are to be financed by specific grants receivable in those future periods they are treated as liabilities of those periods, and not as liabilities at balance sheet date. Such grants are disclosed as future commitments.

Governance costs

Governance costs are those incurred in connection with the management of RSE assets, organisational administration and compliance with constitutional and statutory requirements.

Tangible fixed assets, depreciation and repairs

The RSE's principal assets are its buildings in George Street, Edinburgh. Under FRS15 the Society depreciates the buildings assuming a 50-year life. It is the policy of the Council to maintain the buildings to a high standard. Provision is made to provide for upkeep of the buildings as required through a designation from General Fund. Any permanent diminutions in value are reflected in the statement of financial activities. Costs of repairs and maintenance are charged against revenue.

Expenditure incurred in the improvements to 26 George Street is being depreciated over the period of the lease to the RSE Scotland Foundation from the date of completion of the refurbishment to 30 June 2047.

Minor equipment is charged against revenue in the year of purchase. Computer and audio-visual is depreciated on a straight line basis over 3–20 years.

Investments

Investments are stated at their market value at the balance sheet date. Gains and losses on disposal and revaluation of investments are charged or credited in the statement of financial activities and allocated to funds in accordance with their proportionate share of the investment portfolio.

Pensions

The RSE participates in defined benefit pension schemes which are externally funded. The cost of providing pensions is allocated over employees working lives with the Society and is included in staff costs.

Trustees' Report & Accounts 2007 – 2008

notes to the financial statements

4 Incoming resources
Current year 2008

	Voluntary income	Activities for generating income	Investment	Promotion of research	Other charitable activities	Total 2008
	£	£	£	£	£	£
Fellows	192,070	–	–	–	–	192,070
Individuals and legacies	85,613	–	–	–	28,961	114,574
Companies	45,250	–	–	–	40,867	86,117
Charitable trusts	121,731	–	–	318,405	150,360	590,496
Scottish Government	458,000	–	–	671,653	170,000	1,299,653
Public sector bodies	–	–	–	247,139	47,266	294,405
Bank interest	–	–	81,628	–	–	81,628
Dividends	–	–	151,217	–	–	151,217
Other	1,873	–	–	–	–	1,873
	904,537	–	232,845	1,237,197	437,454	2,812,033
RSE Scotland Foundation – Grant re SBF	26,521	–	–	–	–	26,521
RSE Scotland Foundation – Rental income	–	241,652	–	–	–	241,652
RSE Scotland Foundation – Charitable activities	–	–	–	–	261,101	261,101
RSE Scotland Foundation – Interest	–	–	1,098	–	–	1,098
BP Research Fellowships Trust – Interest	–	–	8,001	–	–	8,001
BP Research Fellowships Trust – Dividends	–	–	151,717	–	–	151,717
	931,058	241,652	393,661	1,237,197	698,555	3,502,123

Prior year 2007

	Voluntary income	Activities for generating income	Investment	Promotion of research	Other charitable activities	Total 2007
	£	£	£	£	£	£
Fellows	183,932	–	–	–	–	183,932
Individuals and legacies	153,961	–	–	–	26,197	180,158
Companies	–	–	–	–	12,200	12,200
Charitable trusts	9,250	–	–	330,784	181,813	521,847
Scottish Executive	496,832	–	–	617,281	317,780	1,431,893
Public sector bodies	–	–	–	473,884	53,744	527,628
Bank interest	–	–	78,652	–	–	78,652
Dividends	–	–	119,603	–	–	119,603
Other	1,491	–	–	–	–	1,491
	845,466	–	198,255	1,421,949	591,734	3,057,404
RSE Scotland Foundation – Rental income	–	208,329	–	–	–	208,329
RSE Scotland Foundation – Charitable activities	–	–	–	–	238,394	238,394
RSE Scotland Foundation – Interest	–	–	869	–	–	869
BP Research Fellowships Trust – Interest	–	–	5,302	–	–	5,302
BP Research Fellowships Trust – Dividends	–	–	128,702	–	–	128,702
	845,466	208,329	333,128	1,421,949	830,128	3,639,000

Trustees' Report & Accounts 2007 – 2008

notes to the financial statements

4 Incoming resources (continued)

4a Voluntary income

	2008 £	2007 £
Contributions from RSE Fellows		
Admission fees	14,280	15,400
Annual subscriptions	152,913	145,416
Income tax recoverable under Gift Aid	24,877	23,116
	192,070	183,932
Lessells Trust additional receipt	9,730	9,250
Appeal receipts	9,368	11,492
Legacies	–	132,212
Scottish Government Grant – General activities	458,000	496,832
Receipts for James Clerk Maxwell Statue	211,700	–
Sillitto Fund	21,796	10,257
Other income	1,873	1,491
	904,537	845,466

In addition to the donations set out above, the RSE receives donations made specifically in support of activities which are included in activities income (see note 27(b)).

5 Incoming resources from charitable activities

	2008 £	2007 £
Scottish Government Grant – Research Fellowships	671,653	617,281
Franco-Scottish PhD scholarships	24,000	24,000
Caledonian Research Foundation	18,405	30,784
Scottish Enterprise	84,763	316,859
BBSRC Enterprise Fellowships	138,376	133,025
Lloyds TSB Foundation for Scotland	300,000	300,000
	1,237,197	1,421,949
Scottish Government Grant re Scottish Science Advisory Committee	–	131,893
Scottish Government Grant – International activities	170,000	185,887
Gannochy Trust	105,000	105,000
Scottish Funding Council	32,536	24,402
Meetings	87,723	115,977
Inquiry income	19,073	5,183
IEEE / RSE / Wolfson James Clerk Maxwell Award	17,132	–
Educational activities	3,013	22,724
Sale of sundry publications	2,977	669
	437,454	591,735
RSE Scotland Foundation – Journal publications	122,105	115,153
RSE Scotland Foundation – Conference facilities letting	138,996	123,240
	261,101	238,393
	1,935,752	2,252,077

Further information relating to grants, donations and receipts and their application is set out in note 27.

Trustees' Report & Accounts 2007 – 2008

notes to the financial statements

6 Resources expended

	2008			2007		
	Direct costs £	Support costs (Note 12) £	Total 2008 £	Direct costs £	Support costs (Note 12) £	Total 2007 £
Costs of generating funds						
Fundraising	16,186	39,197	55,383	198	33,703	33,901
Fellows' subscriptions	–	94,618	94,618	–	88,075	88,075
Appeal donations	–	9,523	9,523	–	8,606	8,606
	16,186	143,338	159,524	198	130,384	130,582
RSE Scotland Foundation <i>Building management</i>	–	61,077	61,077	–	76,091	76,091
BP Research Fellowship Trust <i>Investment fees</i>	400	–	400	367	–	367
Total costs of generating funds	16,586	204,415	221,001	565	206,475	207,040
Charitable activities						
Increasing World-Class Researchers	1,181,481	295,636	1,477,117	1,052,075	235,299	1,287,374
Increasing International Research Connections	178,211	76,860	255,071	149,999	76,114	226,113
Increasing Connections Between Business and Academia	281,417	60,824	342,241	474,953	92,797	567,750
Increasing Numbers Taking Science as a Career	23,474	58,385	81,859	20,613	53,655	74,268
Enhancing Public Appreciation of Science and Culture	126,537	221,037	347,574	171,112	206,344	377,456
Influencing Public Policy	30,619	110,992	141,611	177,169	102,351	279,520
	1,821,739	823,734	2,645,473	2,045,921	766,560	2,812,481
RSE Scotland Foundation <i>Journal Publications</i>	74,615	31,313	105,928	85,290	31,038	116,328
<i>James Clerk Maxwell Statue</i>	92,418	–	92,418	3,000	–	3,000
<i>SBF</i>	22,771	3,750	26,521	–	–	–
<i>Conference facilities letting</i>	–	78,066	78,066	–	92,547	92,547
	189,804	113,129	302,933	88,290	123,585	211,875
Total cost of charitable activities	2,011,543	936,863	2,948,406	2,134,211	890,145	3,024,356
Governance (note 10)						
RSE	6,562	123,978	130,540	24,406	112,582	136,988
RSE Scotland Foundation	1,856	24,719	26,575	1,800	21,643	23,443
BP Research Fellowships Trust	1,253	–	1,253	1,116	–	1,116
Total governance costs	9,671	148,697	158,368	27,322	134,225	161,547
Resources expended	2,037,800	1,289,975	3,327,775	2,162,098	1,230,845	3,392,943

Central support costs as set out in note 12 have been allocated to activities in proportion to the employment cost in each area of activity.

Trustees' Report & Accounts 2007 – 2008

notes to the financial statements

7 Grants payable

	2008 £	2007 £
Promotion of research (note 8)	1,439,875	1,259,003
Prizes and grants	37,242	28,371
Promotion of Innovation (Note 9)	281,417	474,953
	1,758,534	1,762,327

8 Increasing Numbers of World-Class Researchers

	2008 £	2007 £
<i>Promotion of Research</i>		
Scottish Government Fellowships	612,497	538,064
Arts & Humanities Workshop Grants	35,290	33,139
Franco-Scottish PhD scholarships	24,000	24,000
CRF European Fellowships	14,412	26,941
Lloyds TSB Foundation for Scotland Fellowships	280,150	280,962
Robert Cormack Bequest	6,161	4,262
John Moyes Lessells Scholarship	27,635	9,370
Auber Bequest Awards	4,000	276
Henry Dryerre Scholarship	19,035	4,250
<i>Designated funds</i>		
DS McLagan Travel Grant	–	–
	1,023,180	921,265
<i>Direct costs: General Funds</i>		
Library	848	–
	1,024,028	921,265
RSE	1,024,028	921,265
BP Research Fellowships Trust	126,917	108,016
	1,150,945	1,029,281
<i>Support costs (note 6)</i>		
Promotion of Research	1,439,875	1,259,003
Prizes and Grants	37,242	28,371
	1,477,117	1,287,374

An analysis of institutions and individual awards made under this expenditure heading is included in the Society's Review 2006, obtainable from the address on the back cover.

Trustees' Report & Accounts 2007 – 2008

notes to the financial statements

9 Increasing connections between business and academia

	2008 £	2007 £
Scottish Enterprise Fellowships	78,134	278,640
PPARC Enterprise Fellowships	–	127
BRSRC Enterprise Fellowships	122,841	115,512
Gannochy	80,442	80,674
	281,417	474,953
Support costs (Note 6)	60,824	92,797
	342,241	567,750

10 Enhancing public appreciation of science and culture

Meetings	89,831	104,968
Publications	36,706	42,144
Science & Society	–	24,000
	126,537	171,112
Support costs (Note 6)	221,037	206,344
	347,574	377,456

The RSE Scotland Foundation became publisher of the RSE's journals and year book with effect from the 1997 volumes. The RSE retains copyright and incurs editorial costs in respect of these publications. The RSE has made a donation to the RSE Scotland Foundation equivalent to its net deficit on publications.

11 Governance

	2008 £	2007 £
Management and secretariat	123,678	131,700
Audit fee	8,480	8,204
Other professional advice from auditors	1,491	–
	133,649	139,904
RSE Scotland Foundation – Management and secretariat	24,719	21,643
	158,368	161,547

Trustees' Report & Accounts 2007 – 2008

notes to the financial statements

12 Support costs

	2008 £	2007 £
Total payroll	857,634	869,003
Less: Paid by SSAC	–	(59,163)
Salaries (note 13)	857,634	809,840
Staff training, agency and recruitment costs	34,166	23,979
Non- cash pension cost adjustments	(26,000)	(27,000)
	865,800	806,819
<i>Other costs</i>		
Establishment expenses	172,317	150,866
Computer and equipment costs	18,024	23,949
Communication, stationery and printing costs	56,288	56,767
Travel and subsistence, hospitality	19,627	15,183
Publicity	6,702	22,969
Miscellaneous	9,694	2,959
Professional fees	17,030	27,413
Depreciation	124,493	123,921
	424,175	424,027
Total central costs	1,289,975	1,230,846

Support costs have been allocated to activities in proportion to the employment cost in each area of activity as set out in note 6.

13 Employees

	Total 2008 £	Funded by Foundation £	Funded by RSE 2008 £	Total 2007 £
Wages and salaries	694,307	88,234	606,073	580,054
Social security costs	52,397	5,691	46,706	37,957
Other pension costs	110,930	17,960	92,970	89,592
	857,634	111,885	745,749	707,603

The average number of employees of the RSE including those employed under joint contracts with the RSE Scotland Foundation was 28 (2007: 28). One member of staff earned over £60,000 per year and is a member of a defined benefit pension scheme.

14 RSE income and result for the year

	General fund £	Designated Funds £	Restricted funds £	RSE Total 2008 £	RSE Total 2007 £
Total incoming resources	979,442	88,863	2,000,523	3,068,828	3,286,209
Surplus / (deficit) for the year	(94,566)	18,032	(24,504)	(101,038)	164,257
Transfers	943,212	(943,212)	–	–	–
Gains / (losses) on investments	(6,211)	(63,249)	(73,002)	(142,462)	94,224
Actuarial loss on Lothian Pension Fund	217,000	–	–	217,000	142,000
Net movement in funds	1,059,435	(988,429)	(97,506)	(26,500)	400,481

Trustees' Report & Accounts 2007 – 2008

notes to the financial statements

15 Tangible fixed assets

Group	22 – 24 George Street Purchase cost £	26 George Street Purchase cost £	Improvements £	Computer and equipment £	Total £
Cost					
At 1 April 2007	1,103,038	1,647,468	2,136,070	331,863	5,218,439
Additions	–	–	–	32,880	32,880
Disposals	–	–	–	(24,417)	(24,417)
At 31 March 2008	1,103,038	1,647,468	2,136,070	340,326	5,226,902
Depreciation					
At 1 April 2007	176,485	263,595	349,304	267,442	1,056,826
Disposals	–	–	–	(21,975)	(21,975)
Charge for the year	22,060	32,950	44,467	25,016	124,493
At 31 March 2008	198,545	296,545	393,771	270,483	1,159,344
Net book value					
At 31 March 2008	904,493	1,350,923	1,742,299	69,843	4,067,558
At 31 March 2007	926,553	1,383,873	1,786,766	64,421	4,161,613
RSE					
Net book value					
At 31 March 2008	904,493	1,350,923	–	9,110	2,264,526
At 31 March 2007	926,553	1,383,873	–	784	2,311,210

16 Fixed asset investments

	Value at 1 April 2007 £	Investments made at cost £	Proceeds on sale of investments £	Gain / loss £	Revaluation £	Market value at 31 March 2008 £
(a) Fixed asset investments						
RSE						
Managed Funds	861,254	44,897	(185,723)	8,531	(10,289)	718,670
Fixed interest	835,496	–	(4,632)	(156)	22,925	853,633
UK equities	1,438,814	207,974	(150,012)	(12,055)	(151,418)	1,333,303
Cash deposits	97,759	(252,956)	340,367	–	–	185,170
	3,233,323	(85)	–	(3,680)	(138,782)	3,090,776
BP Research Fellowships Trust						
Managed Funds	769,719	51,462	(281,469)	16,550	(38,659)	517,603
Fixed interest	836,820	29,593	–	–	14,184	880,597
UK equities	1,500,344	250,464	(125,551)	(17,393)	(168,304)	1,439,560
Cash deposits	99,103	(331,606)	407,020	–	–	174,517
	3,205,986	(87)	–	(843)	(192,779)	3,012,277
	6,439,309	(172)	–	(4,523)	(331,561)	6,103,053

The gain on sale of investments measured against their historical cost was £323,097 (2007: Surplus (£372,620)). The historical cost of investments was £5,602,741 (2007: £5,257,470). (RSE 2008: £2,697,440, 2007: £2,643,980)

Trustees' Report & Accounts 2007 – 2008

notes to the financial statements

16 Fixed asset investments (continued)

<i>(b) Loan by RSE to RSE Scotland Foundation</i>	2008 £	2007 £
Due within one year	46,808	46,808
Due after one year	1,797,520	1,844,328
	1,844,328	1,891,136

The loan bears interest at 4% per annum, capped at the amount of rent received by the Foundation and is repayable over the period to 30 June 2047, the expiration of the lease of 26 George Street.

17 Debtors

	2008 £	2007 £
General debtors	59,435	23,963
Prepayments and accrued income	11,048	9,056
Income tax recoverable	30,546	27,522
RSE	101,029	60,541
RSE Scotland Foundation - Debtors	102,112	95,525
RSE Scotland Foundation - Prepayments	7,518	11,796
BP Research Fellowships Trust	7,297	9,603
Group	217,956	177,465

18 Creditors: Amounts falling due within one year

Group	2008 £	2007 £
General creditors	166,434	159,205
Accruals	64,522	37,111
VAT payable	30,929	9,001
University of Glasgow (note 22)	5,371	4,290
Deferred income	80,577	46,000
Symposia income deferred	22,400	31,282
Advance receipts – Publications	83,604	67,456
	453,837	354,345

Deferred income and advance receipts analysis

	At 1 April 2007	Received in year	Recognised in year	At 31 March 2008
French PhD scholarships	36,000	–	(24,000)	12,000
Hills & Island Inquiry	10,000	77,650	(19,073)	68,577
	46,000	77,650	(43,073)	80,577
Journal receipts	67,456	138,253	(122,105)	83,604
Symposia income	31,282	22,400	(31,282)	22,400

Trustees' Report & Accounts 2007 – 2008

notes to the financial statements

18 **Creditors:** Amounts falling due within one year (*continued*)

RSE	2008	2007
	£	£
General creditors	161,236	151,505
RSE Scotland Foundation current account	457,459	205,020
Deferred income	80,577	46,000
University of Glasgow (note 22)	5,371	4,290
Symposia income deferred	22,400	31,282
	727,043	438,097

19 **Provision for liabilities and charges**

£

Commitments for research fellowships

At 1 April 2007 – Group & RSE	303,913
<i>New commitments:</i>	
Lloyds TSB Foundation for Scotland Research Fellowships	300,000
Grants paid in the year	(251,636)
At 31 March 2008	352,277

The provision represents amounts payable under a constructive obligation in respect of research fellowships due as follows:

2008-09 £193,089; 2009-10 £105,343; 2010-11 £54,343

20 **General Fund**

£

At 1 April 2007	607,119
Net movement in funds for the year from statement of financial activities	479,036
At 31 March 2008	1,086,155

Trustees' Report & Accounts 2007 – 2008

notes to the financial statements

21 Designated Funds

	At 1 April 2007	Investment income	Other income	Expenditure	Gains / (losses)	Transfers	At 31 March 2008
	£	£	£	£	£	£	£
Capital Asset Reserve	4,201,562	–	–	–	–	(101,818)	4,099,744
Building Maintenance Fund	200,564	10,112	–	–	–	(210,676)	–
Staff Restructuring Fund	47,904	2,415	–	–	–	(50,319)	–
Development Appeal Fund	511,681	23,609	9,368	(44,813)	(21,832)	–	478,013
Programme Fund	102,087	4,665	–	–	(4,366)	–	102,386
CH Kemball Fund	24,739	1,128	–	–	(1,080)	–	24,787
Grants Fund	595,927	27,175	–	(15,360)	(26,021)	–	581,721
Dr James Heggie Fund	227,876	10,391	–	(10,658)	(9,950)	–	217,659
	5,912,340	79,495	9,368	(70,831)	(63,249)	(362,813)	5,504,310

The transfers represent the release from the Capital Asset Reserve of a total of £101,818 to match the depreciation of buildings and the amount of capital repayment of the loan to the Foundation, together with the return to General Fund of the year end balances of the Building Maintenance Fund, the Staff Restructuring Fund, the Development Appeal Fund and the Programme Fund.

22 Restricted Funds

	At 1 April 2007	Investment income	Other income	Expenditure	Gains / (losses)	Transfers	At 31 March 2008
	£	£	£	£	£	£	£
Robert Cormack Bequest	117,458	5,356	–	(7,961)	(5,129)	–	109,724
Lessells Trust	453,435	20,677	9,730	(34,583)	(19,799)	–	429,460
Auber Bequest	409,091	18,655	–	(10,269)	(17,862)	–	399,615
Prizes Fund	80,261	3,660	–	(5,654)	(3,504)	–	74,763
Dryerre Fund	518,552	23,646	–	(26,981)	(22,642)	–	492,575
Fleck	54,175	2,470	–	(830)	(2,365)	–	53,450
Piazzi Smyth	14,591	666	–	(224)	(637)	–	14,396
Sillitto	10,256	1,616	21,796	(435)	–	–	33,233
Others	24,362	1,111	–	(373)	(1,064)	–	24,036
Edinburgh Drug Absorption Foundation	129,400	6,524	–	–	–	–	135,924
Restricted Income Fund	53,101	–	1,884,617	(1,937,718)	–	–	–
RSE	1,864,682	84,381	1,916,143	(2,025,028)	(73,002)	–	1,767,176
RSE Scotland Foundation	171,740	1,098	740,974	(390,584)	–	(92,550)	430,678
BP Research Fellowships Trust	3,258,657	159,718	–	(143,270)	(193,622)	–	3,081,483
Total	5,295,079	245,197	2,657,117	(2,558,882)	(266,624)	(92,550)	5,279,337

Trustees' Report & Accounts 2007 – 2008

notes to the financial statements

22 Restricted funds (continued)

"Prizes Fund" comprises The Keith Fund, The Neill Fund, The Makdougall-Brisbane Fund, The Gunning-Victoria Fund, The James Scott Prize Fund, the Bruce-Preller Lecture Fund, The WS Bruce Memorial Fund, The Dr DA Berry Fund, The Henry Duncan Prize Lecture Fund and The BP Prize Lecture in the Humanities Fund.

"Others" comprise the Retailing Seminars Fund and The CASS Fund. The Restricted Income Fund represents restricted income received and expended in the year.

Under the terms of the Lessells Trust the University of Glasgow is entitled to 10% of additional amounts received by the RSE from the Trust. The balance included in creditors at 31 March 2008 represents the total sum apportioned but not yet paid over to the University (note 18).

23 Analysis of assets between funds

Group	General £	Designated Funds £	Restricted Funds £	2008 £	2007 £
Fund balances at 31 March 2008 are represented by:					
Tangible fixed assets	9,108	2,255,418	1,803,032	4,067,558	4,161,613
Investments	88,194	1,404,564	4,610,295	6,103,053	6,439,309
Loan to RSE Scotland Foundation	–	1,844,328	(1,844,328)	–	–
Current assets	101,029	–	116,927	217,956	177,465
RSE Scotland Foundation current account	(457,459)	–	457,459	–	–
Deposits	941,516	–	700,163	1,641,679	1,200,000
Cash	202,623	–	151,047	353,670	445,409
Current liabilities	(90,856)	–	(362,981)	(453,837)	(354,345)
Provisions for liabilities and charges	–	–	(352,277)	(352,277)	(303,913)
Pension fund liability	292,000	–	–	292,000	49,000
	1,086,155	5,504,310	5,279,337	11,869,802	11,814,538

RSE	General £	Designated Funds £	Restricted Funds £	2008 £	2007 £
Fund balances at 31 March 2008 are represented by:					
Tangible fixed assets	9,108	2,255,418	–	2,264,526	2,311,210
Investments	88,194	1,404,564	1,598,018	3,090,776	3,233,323
Loan to RSE Scotland Foundation	–	1,844,328	–	1,844,328	1,891,136
Current assets	101,029	–	–	101,029	60,541
RSE Scotland Foundation current account	(457,459)	–	–	(457,459)	(205,020)
Deposits	941,516	–	700,163	1,641,679	1,200,000
Cash	202,623	–	–	202,623	380,941
Current liabilities	(90,856)	–	(178,728)	(269,584)	(233,077)
Provisions for liabilities and charges	–	–	(352,277)	(352,277)	(303,913)
Pension fund liability	292,000	–	–	292,000	49,000
	1,086,155	5,504,310	1,767,176	8,357,641	8,384,141

Trustees' Report & Accounts 2007 – 2008

notes to the financial statements

24 Pension costs

(a) *Universities Superannuation Scheme*

The RSE participates in the Universities Superannuation Scheme, a defined benefit pension scheme which is externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of the scheme are held in a separate trustee-administered fund. The fund is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustee on the advice of the actuaries. In the intervening years the actuaries review the progress of the scheme.

It is not possible to identify each Institution's share of the underlying asset and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contributions scheme. The cost recognised within the result for the year is equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was at 31 March 2005. The most significant assumptions, those relating to the rate of return on investments and the rates of increase in salary and pensions are as follows:

	Past service liabilities	Future service liabilities
Investment return	4.50%	6.20%
Salary increase	3.90%	3.90%
Pension increase	2.90%	2.90%

At the valuation date the market value of the scheme's assets was £21,739.7 million and the value of past service liabilities was £28,308.1 million. The value of the assets represented 77% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contribution rate payable by the RSE was 14.0% of pensionable salaries. The actuary has confirmed that it is appropriate to take the pension charge to be equal to the actual contribution paid during the year.

(b) *Lothian Pension Fund*

The RSE also participates in the Lothian Pension Fund, a defined benefit pension scheme established under Local Government Pension Fund Regulations. This scheme has determined that it is possible to ascertain the shares of assets and liabilities relating to individual admitted bodies. The assets of the scheme are held in a separate trustee-administered fund.

The fund is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustee on the advice of the actuaries. In the intervening years the actuaries review the progress of the scheme.

The latest actuarial valuation of the scheme was at 31 March 2005. The major assumptions used by the actuary were that, over the long term, the return on the scheme's assets would be 6.2% per annum, salary increases would average 4.4% per annum and present the future pensions would increase at a rate of 2.9% per annum.

At the valuation date the market value of the scheme's assets was £2,089 million and the value of past service liabilities was £2,445 million. The value of the assets represented 86% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contribution rate payable by the RSE was 315% of employees contributions of 6% of pensionable salaries, amounting to 18.9%. The actuary has confirmed that it is appropriate to take the pension charge to be equal to the actual contribution paid during the year.

Trustees' Report & Accounts 2007 – 2008

notes to the financial statements

24 Pension costs (continued)

(b) Lothian Pension Fund (continued)

The valuation at 31 March 2005 has been updated by the actuary on an FRS17 basis as at April 2008.
The major assumptions used in this valuation were:

	2008	2007	2006	2005	2004
	%	%	%	%	%
Rate of increase in salaries	5.1	4.7	4.6	4.4	4.4
Rate of increase in pensions in payment	3.6	3.2	3.1	2.9	2.9
Discount rate	6.9	5.4	4.9	5.4	5.5
Inflation assumption	3.6	3.2	3.1	2.9	2.9

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets

The fair value of the scheme assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value at 31 March 2008 £000	Value at 31 March 2007 £000	Value at 31 March 2006 £000	Value at 31 March 2005 £000
Equities	2,170,000	2,238,000	2,170,000	1,616,000
Bonds	156,000	158,000	156,000	134,000
Other Property	283,000	359,000	283,000	193,000
Cash	40,000	163,000	40,000	146,000
Whole scheme assets	2,649,000	2,918,000	2,649,000	2,089,000
	£000	£000	£000	£000
of which RSE share	1,437	1,347	1,130	485
Present value of scheme liabilities	(1,145)	(1,298)	(1,250)	(561)
Surplus/(deficit) in the scheme – Pension asset	292	49	(120)	(76)

Trustees' Report & Accounts 2007 – 2008

notes to the financial statements

24 Pension costs (continued)

(b) Lothian Pension Fund (continued)

The movement in the net pension liability during the year comprised:

	Value at 31 March 2008 £000	Value at 31 March 2007 £000	Value at 31 March 2006 £000	Value at 31 March 2005 £000
Deficit at beginning of the year	49	(120)	(76)	(84)
Current service cost	(101)	(111)	(81)	(68)
Past service cost, settlements & curtailment	–	21	–	–
Employer contributions	99	95	89	74
<i>Net return on assets</i>				
Expected return on employer assets	102	86	39	29
Interest on pension scheme liabilities	(74)	(64)	(33)	(26)
	28	22	6	3
<i>Actuarial gains</i>				
Actual return less expected return on pension	(140)	8	171	13
Experience losses on Scheme liabilities	–	(1)	(30)	–
Changes in assumptions underlying present value	357	135	(199)	(14)
Actuarial gains/(losses)	217	142	(58)	(1)
Surplus / (Deficit) at end of the year	292	49	(120)	(76)

History of experience gains and losses

	2008	2007	2006	2005
Difference between the expected and actual return on scheme assets:				
Amounts (£,000)	(140)	8	171	13
Percentage of year end scheme assets	(9.7%)	0.6%	15.2%	2.7%
Experience gains and losses on scheme liabilities:				
Amounts (£,000)	–	(1)	(30)	–
Percentage of year end present value of scheme liabilities	0.0%	(0.1%)	(2.4%)	–
Total amount recognised in statement of financial activities:				
Amounts (£,000)	217	142	(58)	(1)
Percentage of year end scheme assets	15.1%	10.9%	(4.6%)	(0.2%)

(c) Pension charge

The total pension charge for the year, including FRS17 adjustments, was £84,929 (2007: £87,779).

25 Transactions with Council members

No member of Council received any payments other than reimbursements of expenditure on travel and subsistence costs actually and necessarily incurred in carrying out their duties as Councillors and Officers. The aggregate of such reimbursements to those Council members who charged expenses amounted to £1,552 (2007: £1,738).

26 Connected charitable trusts

(a) RSE Scotland Foundation

The RSE Scotland Foundation is a charitable trust, recognised in Scotland as Scottish charity number SCO24636. It was created in March 1996 with the object of advancing the education of the public in Scotland in science and engineering and in so doing to conserve the scientific and cultural heritage of Scotland. The President, General Secretary, Treasurer, Curator and a Vice-President of the RSE are *ex officio* Trustees of the Foundation, which draws on the resources of the RSE in carrying out its objects. The Foundation also has five nominated Trustees. The Foundation became publisher of the RSE's journals under a Publications Rights License effective from 1 January 1997.

Trustees' Report & Accounts 2007 – 2008

notes to the financial statements

26 Connected charitable trusts (continued)

(a) *RSE Scotland Foundation* (continued)

On 1 July 1997 the RSE granted to the Foundation a 50-year lease over 26 George Street carrying an obligation to refurbish the building within a three-year period. The Council of the RSE agreed to make funding of up to £2.3 million available to the Foundation in support of the refurbishment. The agreed terms of the loan are as described in note 16.

(b) *BP Research Fellowships Trust*

The BP Research Fellowships Trust funds a scheme of three-year post doctoral fellowships administered by the RSE.

27 Supplementary information: grants, donations and receipts

(a) *Scottish Government Grants Income*

	2008 £	2007 £
Promotion of research	671,653	617,281
Scottish Science Advisory Committee	–	131,893
Activities grant	458,000	496,832
International activities	170,000	185,887
Joint Scottish French PhD studentships	12,000	12,000
	1,311,653	1,443,893

	Direct costs £	Staff and other costs £	2008 Total £	2007 Total £
Scottish Science Advisory Committee	–	–	–	131,893
Meetings	–	185,385	185,385	171,144
Science & Society and Education	–	58,385	58,385	68,735
Publications	18,553	16,695	35,248	34,515
Promotion of research	612,497	59,156	671,653	617,281
Joint Scottish French PhD studentships	12,000	–	12,000	12,000
Evidence	–	55,004	55,004	60,952
International activities	133,797	36,203	170,000	185,887
Management and secretariat	–	123,978	123,978	112,582
Establishment expenses	–	–	–	30,872
Maintenance	–	–	–	18,032
	776,847	534,806	1,311,653	1,443,893

The Scottish Government provides grant-in-aid under the powers of S.23 National Heritage (Scotland) Act 1985 to meet the costs of Scottish Government-funded Research Fellows, the cost of maintaining the RSE's premises and a share of the RSE's staff and other costs.

Trustees' Report & Accounts 2007 – 2008

notes to the financial statements

27 Supplementary information: grants, donations and receipts (continued)

(a) **Scottish Government Grants Income** (continued)

At 31 March 2008 the financial commitment in respect of Personal and Support Fellowships awarded subject to Scottish Government funding in the years 2008–09, 2009–10 and 2010–11 amounted to £721,344, £400,912 and £129,306 respectively. These amounts are treated as obligation of future years to be financed by specific funding expected to be made available from the Scottish Government.

(b) **Recurring donations in support of activities**

Expenditure comprised:

	Caledonian Research Foundation £	Scottish Enterprise £	Lloyds TSB Foundation for Scotland £	Gannochy Trust £
Income				
Promotion of research & innovation – Receipts	18,405	84,763	300,000	105,000
Meetings – income	25,690	–	–	–
	44,095	84,763	300,000	105,000
Costs				
Promotion of research & innovation	14,412	78,134	280,150	80,443
Lectures	4,019	–	–	–
Conferences	14,176	–	–	–
RSE administration and staff costs recovery	11,488	6,629	19,850	24,557
	44,095	84,763	300,000	105,000

Trustees' Report & Accounts 2007 – 2008

notes to the financial statements

27 Supplementary information: grants, donations and receipts (continued)

(b) Recurring donations in support of activities (continued)

The Caledonian Research Foundation supports postdoctoral fellowships in biomedical sciences and European visiting fellowships; a prize lecture and an international conference.

The Lloyds TSB Foundation for Scotland supports postdoctoral fellowships, postgraduate studentships and lectures and conferences to fund and disseminate research aimed at improving the quality of life for an ageing population.

(c) Other donations in support of activities

The RSE gratefully acknowledges all those who make donations in support of activities. The companies, trusts and other bodies which made donations of £1,000 or more in support of activities in the year ended 31 March 2008 were as follows:

Argyll & Bute Council	Orkney Island Council
Barr Limited	Perth & Kinross Council
Colin Grant Charitable Trust	Robertson Trust
Comhairle nan Eilean Siar	Royal Academy of Engineering
Expedition Engineering	Royal Highland and Agricultural Society of Scotland
Faculty of Advocates	Scottish Church History Society
Highland Region Council	Scottish Enterprise Borders
Highlands And Islands Enterprise	Scottish Estates Business Group
HOK International Limited	Scottish Forestry Trust
Institute of Civil Engineers	Shetland Island Council
Lisbet Rausing Estate	South of Scotland Alliance
MacRobert Trust	Telford College
MD Biosciences Limited	Tods Murray LLP
Mott Macdonald	WS Atkins

28 Analysis of net funds/(debt)

	At 31 March 2008	Cash flows	At 1 April 2007
	£	£	£
Cash at bank	353,670	(91,739)	445,409
Deposits – general	941,516	667,602	273,914
Deposits – designated funds	–	(262,236)	262,236
Deposits – restricted funds	700,163	36,313	663,850
	1,995,349	349,940	1,645,409

29 Financial Commitments

At the balance sheet date the Foundation had an outstanding financial commitment in relation to the production and installing of the James Clerk Maxwell statue of £164,950 (2007: nil).

Professional Advisers

Auditors

Henderson Loggie
34 Melville Street
Edinburgh

Bankers

Bank of Scotland plc,
38 St Andrew Square
Edinburgh

Stockbrokers / Investment Advisers

Speirs & Jeffrey & Co Ltd
36 Renfield Street
Glasgow

Solicitors

Shepherd & Wedderburn WS
Saltire Court, 20 Castle Terrace
Edinburgh

Further information about the activities of the Royal Society of Edinburgh and additional copies of this Trustees' Report may be obtained from:

Dr W Duncan
Chief Executive
The Royal Society of Edinburgh
22 – 26 George Street
Edinburgh EH2 2PQ

The Royal Society of Edinburgh was founded in 1783. It is Scotland's national academy. Its Fellowship includes some of the best intellectual talent in academia, the professions and business. It facilitates public debate, research programmes, educational projects and strategy formulation. Its strength is its diversity and impartiality. The Society's unique multi-disciplinary approach enables it to draw from and link with a broad spectrum of expertise to advance the understanding of globally-important issues. In fulfilling its Royal Charter for the 'advancement of learning and useful knowledge', the RSE is seeking to contribute to the social, cultural and economic wellbeing of Scotland.



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