

Company number: SC091239  
Charity number: SC009579



**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 JULY 2018**

**BROWN, SCOTT & MAIN**

Chartered Accountants

**REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

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**STATUS**

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The David Hume Institute (the Institute), which was formed in 1985, is a public benefit entity, has charitable status and is a company limited by guarantee registered in Scotland. The Institute is governed by its memorandum and articles of association. The Trustees act as directors of the company. The Institute has exempt tax status and the liability of each member is restricted to one pound.

**TRUSTEES, OFFICERS AND COMPANY INFORMATION**

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HONORARY PRESIDENT	Prof Anton Muscatelli (2014 – 2018)
CHAIRMAN	Sir John Elvidge KCB
TRUSTEES	Prof Alan Alexander (resigned June 2018) Prof June Andrews OBE (appointed June 2018) Mr Kenneth Barker (appointed June 2018) Mr Stephen Boyle Ms Kyla Jane Brand (resigned March 2018) Prof Alice Brown CBE (resigned February 2018) Prof Robert Cormack (resigned October 2017) Mr Steven Drost (appointed June 2018) Ms Laura Dunlop QC Mr Owen Kelly OBE Prof Donald MacRae (resigned September 2018) Mr David Middleton CBE (appointed March 2018) Mr Ian Ritchie (resigned October 2017) Ms Christine O'Neill (appointed June 2018) Ms Jenny Stewart Mr Cameron Wyllie (appointed June 2018)
DIRECTOR (NON-STATUTORY)	Mr Ray Perman (to 31 August 2017) Ms Jane-Frances Kelly (from 1 September 2017)
COMPANY SECRETARY	Mr Ray Perman (to 31 August 2017) Ms Jane-Frances Kelly (from 1 September 2017)
COMPANY REGISTRATION NUMBER	SC 091239
CHARITY NUMBER	SC 009579
REGISTERED OFFICE	91 West Savile Terrace Edinburgh
AUDITORS	Brown, Scott & Main 91 West Savile Terrace Edinburgh
BANKERS	The Royal Bank of Scotland plc 36 St Andrew Square Edinburgh

## REPORT OF THE TRUSTEES

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The Trustees present their report and audited financial statements for the year ended 31 July 2018 which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

### Aims

The Institute has no political affiliations and acts impartially, seeking to gather and present evidence to inform public debate. Our aim is to influence policy by commissioning and publishing research into issues of public interest. The findings are discussed in seminars, conferences and round table meetings. The Institute is supported by donations, sponsorship of projects and seminars, annual subscriptions from commercial, public sector and voluntary organisations, trusts and individuals.

### Organisational structure and appointment of trustees

The Institute is supervised by a Board of Trustees, who are appointed for an initial period of three years. Trustees are listed on page 2, along with the dates of appointments and resignations.

The Institute is managed by the Director whose remuneration is set by the Trustees. Jane-Frances Kelly has been Director since 1 August 2017.

### Activities

The Institute furthers its aims by holding public events and undertaking original research. This involves hosting thought-provoking events which bring together expert speakers from across the political spectrum and an informed and engaged audience, as well as producing independent and evidence-based research on issues of significance to Scotland's future.

During the 2017-18 period the Institute held 13 public events, detailed below. In a time of intense political debate, the Institute sought to make a substantial contribution by again hosting the *Politicians and Professionals* series, which gave leaders of all major political parties the opportunity to address the theme 'Scotland after Brexit'. Beyond this series, public events covered issues ranging from higher education policy to the relevance of Adam Smith to contemporary political challenges.

The inaugural *Summer Reading List for the First Minister* was published in June 2018, bringing together some of the best writing from Scotland and beyond as a fresh way to stimulate debate about the state of the nation and the world. Books included in the list cover issues ranging from poverty and gender to David Hume and the future of the European Union, with both Scottish and international authors represented. It is envisioned that the list will become an annual publication, prompting consideration of significant contemporary issues for decision makers and the public alike.

**REPORT OF THE TRUSTEES (continued)**

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The year also saw substantial work to revitalise the Institute’s programme of original, in-house research. The first piece of research was undertaken in the first half of 2018, examining Scottish productivity performance in an international context and asking what lessons can be drawn from places which have made significant improvements in productivity. This culminated in the production of the report *Wealth of the Nation: Scotland’s Productivity Challenge*, which was launched in September 2018.

**Events**

Date	Speaker/s	Topic
28 September 2017	Fabian Zuleeg	<i>Brexit: the view from Brussels</i>
17 October 2017	Christina Romer	<i>The aftermath of financial crises</i>
24 October 2017	Poul Skytte Christofferson	<i>Denmark and Maastricht</i>
13 November 2017	Lord Macpherson	<i>Economic policymaking in a UK outside the EU</i>
22 November 2017	Richard Wynn Jones & Michael Keating	<i>Welsh &amp; Scottish perspectives on Brexit</i>
16 January 2018	Nicola Sturgeon MSP	<i>2018 Politicians &amp; Professionals Series</i>
30 January 2018	Ruth Davidson MSP	<i>2018 Politicians &amp; Professionals Series</i>
5 February 2018	Richard Leonard MSP	<i>2018 Politicians &amp; Professionals Series</i>
13 February 2018	Willie Rennie MSP	<i>2018 Politicians &amp; Professionals Series</i>
22 March 2018	Lord Willetts	<i>Universities</i>
24 May 2018	Lord Kerr	<i>Brexit</i>
13 June 2018	Jane-Frances Kelly & Sir John Elvidge	<i>First Minister’s Reading List Launch</i>
19 July 2018	Jesse Norman MP	<i>Adam Smith</i>

**REPORT OF THE TRUSTEES (continued)**

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**Financing our activities**

The David Hume institute is independent of government or any other body and is a registered charity. It finances its activities through donations, sponsorship of events and research and membership fees. It is the Institute's policy to be transparent in disclosing its funding sources. We are grateful for sponsorship, but we make clear to sponsors that research and conclusions will be led by the evidence and are the responsibility of the authors or speakers and, unless otherwise stated, the Institute.

**Donors, sponsors and supporters**

The Institute is most grateful to those companies, other organisations, trusts and individuals who have supported its activities and research projects during the year. Our work would be impossible without their help. They include:

Organisations

Audit Scotland  
Baillie Gifford  
Binks Trust  
Brodies LLP  
Colleges Scotland  
The Faculty of Advocates  
Institute and Faculty of Actuaries  
KPMG  
The Law Society of Scotland  
Pinsent Masons LLP  
Scottish Enterprise  
Scottish Fiscal Commission  
Scottish Futures Trust  
Scottish Policy Foundation  
Shepherd & Wedderburn LLP  
Standard Life Aberdeen  
Stewart Investors  
The Law Society of Scotland  
The Royal Society of Edinburgh  
The Scottish Government  
Turcan Connell  
Walter Scott & Partners Ltd  
The Young Academy of Scotland

Individuals

141 individual donors (2017: 165)

**Compliance and governance**

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

## REPORT OF THE TRUSTEES (continued)

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to allow the Institute's activities to continue, and the Institute's systems and procedures to mitigate each risk. The risk register is regularly reviewed by the Trustees.

As at the date of approval of the Report of the Trustees, so far as the Trustees are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Institute's auditors are unaware and, so far as he or she is aware, each Trustee has taken all necessary steps that he or she ought to have taken as a Trustee in order to make himself or herself aware of any relevant audit information and to establish that the Institute's auditors are aware of that information.

### Financial review

The overall deficit on the unrestricted general fund for the year was £24,651 (2017 £14,572) and the surplus on the restricted fund was £10,695 (2017 nil). At the end of the year the Institute's general fund stood at £100,010 (2017 £124,661) and its restricted fund at £10,695 (2017 nil).

In the course of the year, the Trustees took a number of decisions to reduce costs and increase revenues. These included reviewing website design and hosting, event-related costs, and management of corporate and individual support. A new donor programme, which will roll out in 2018/19, is expected to increase the Institute's revenues in future years. In the meantime, renewed efforts on fundraising in 2018/19 yielded a corporate donation of £300,000 over three years, thus ensuring the Institute's financial sustainability.

Against that background, the Trustees are satisfied that the overall level of reserves is reasonable in the context of its future programme and enables it to undertake the necessary forward planning of events despite the inevitable uncertainties about future income streams against the current economic climate.

### Statement of Trustees' responsibilities

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

Company law requires the Trustees to prepare financial statements for each financial year. Under that law, the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Trustees must not approve financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Institute and of the surplus or deficit of the Institute for that period. In preparing those financial statements, the Trustees are required to:

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

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006, Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the company and hence for

**REPORT OF THE TRUSTEES (continued)**

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taking reasonable steps for the prevention and detection of fraud and other irregularities and for the maintenance and integrity of financial information included on the company's website.

**BASIS OF PREPARATION**

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

SIR JOHN ELVIDGE  
CHAIRMAN

2019



**INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS (AS TRUSTEES) AND MEMBERS OF THE DAVID HUME INSTITUTE**

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**Opinion**

We have audited the financial statements of The David Hume Institute for the year ended 31 July 2018 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes on pages eleven to eighteen. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 (FRS 102) and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with FRS102 (effective 1 January 2015).

This report is made solely to the Institute's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's Trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the Institute's members and Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Institute, its members as a body and its Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

**Basis for opinion**

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

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of financial statement is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS (AS TRUSTEES) AND MEMBERS OF THE DAVID HUME INSTITUTE (CONTINUED)**

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**Other information**

The Trustees are responsible for other information. The other information comprises the information in the Report of the Trustees but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

**Opinion on other matter prescribed by the Companies Act 2006**

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

- the information given in the Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Trustees has been prepared in accordance with applicable legal requirements.

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

In the light of knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Trustees.

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

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

**Responsibilities of Trustees**

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

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

**INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS (AS TRUSTEES) AND MEMBERS OF THE DAVID HUME INSTITUTE (CONTINUED)**

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**Our responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

2019

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

**Note:**

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

**STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 31 JULY 2018**

	Notes	Unrestricted fund £	Restricted fund £	2018 Total £	Unrestricted fund £	Restricted fund £	2017 Total £
<b>Income from:</b>							
<b>Donations and legacies</b>							
Donations		51,665	-	51,665	75,244	5,000	80,244
Subscriptions		<u>20,700</u>	-	<u>20,700</u>	<u>23,610</u>	-	<u>23,610</u>
		<u>72,365</u>	-	<u>72,365</u>	<u>98,854</u>	<u>5,000</u>	<u>103,854</u>
<b>Investments</b>							
Bank interest		<u>187</u>	-	<u>187</u>	<u>209</u>	-	<u>209</u>
<b>Charitable activities</b>							
Revenue from events, research and publications							
Sponsorship income		20,970	23,875	44,845	20,699	-	20,699
Admission charges		<u>3,265</u>	-	<u>3,265</u>	<u>6,430</u>	-	<u>6,430</u>
		24,235	23,875	48,110	27,129	-	27,129
Sale of publications		-	-	-	11	-	11
		<u>24,235</u>	<u>23,875</u>	<u>48,110</u>	<u>27,140</u>	-	<u>27,140</u>
<b>Total income</b>		<u>96,787</u>	<u>23,875</u>	<u>120,662</u>	<u>126,203</u>	<u>5,000</u>	<u>131,203</u>
<b>Expenditure on:</b>							
<b>Charitable activities</b>							
Events and publications		31,198	29	31,227	39,428	-	39,428
Research costs		-	12,693	12,693	15,750	5,000	20,750
Administration and office costs		<u>90,240</u>	<u>458</u>	<u>90,698</u>	<u>85,597</u>	-	<u>85,597</u>
<b>Total expenditure</b>		<u>121,438</u>	<u>13,180</u>	<u>134,618</u>	<u>140,775</u>	<u>5,000</u>	<u>145,775</u>
<b>Net (expenditure)/ income</b>		(24,651)	10,695	(13,956)	(14,572)	-	(14,572)
<b>Transfers between funds</b>		=	=	=	-	-	=
<b>Net movement in funds</b>		(24,651)	10,695	(13,956)	(14,572)	-	(14,572)
<b>Reconciliation of funds:</b>							
Total funds brought forward	7	<u>124,661</u>	-	<u>124,661</u>	<u>139,233</u>	-	<u>139,233</u>
<b>Total funds carried forward</b>	7	<u>100,010</u>	<u>10,695</u>	<u>110,705</u>	<u>124,661</u>	-	<u>£124,661</u>

The statement of financial activities incorporates the income and expenditure account.

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

The notes on pages 13 to 18 form part of these financial statements.

BALANCE SHEET AS AT 31 JULY 2018

Company Number SC091239

	Notes	2018 £	2017 £
<b>Fixed assets</b>			
Tangible assets	3	-	<u>8,135</u>
<b>Current assets</b>			
Debtors	5	2,871	15,998
Bank deposits		116,363	114,056
Cash at bank and on hand		<u>1,594</u>	<u>1,552</u>
		<u>120,828</u>	<u>131,606</u>
<b>Liabilities: Creditors falling due within one year</b>			
Accruals		10,123	14,506
Payroll taxes		-	<u>574</u>
		<u>10,123</u>	<u>15,080</u>
<b>Net current assets</b>		<u>110,705</u>	<u>116,526</u>
<b>Total assets less current liabilities</b>		<u>£110,705</u>	<u>£124,661</u>
<b>Capital and reserves</b>			
Unrestricted general fund	6	100,010	124,661
Restricted funds	6	<u>10,695</u>	-
		<u>£110,705</u>	<u>£124,661</u>

These financial statements are prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

The financial statements on pages 11 to 18 were approved by the Board of Trustees on 21 March 2019 and were signed on its behalf by:

SIR JOHN ELVIDGE

CHAIRMAN

The notes on pages 13 to 18 form part of these financial statements.

## ACCOUNTING POLICIES

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### BASIS OF ACCOUNTING

These financial statements of The David Hume Institute (the Institute) as an individual entity have been prepared in accordance with the provisions of Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Ireland” (FRS 102), the Companies Act 2006 and “Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with FRS 102”. These financial statements have been prepared under the historical cost convention. The presentation currency is sterling.

### FORMAT

Owing to special circumstances and in particular to the fact that the activities of the Institute are principally the administration of voluntary funds for charitable purposes, it is the opinion of the Trustees that presentation of a profit and loss account in any of the specific formats presented in Schedule 1 of the Small Companies and Groups (Accounts and Directors’ Report) Regulations 2008 as required under Part 15 of the Companies Act 2006 would prevent compliance with section 396 of the Act (that accounts shall give a true and fair view of the profit or loss for the financial year). Accordingly, the information required by the Act is given in the form of a Statement of Financial Activities appropriate to the activities of the Institute and in accordance with the current Statement of Recommended Practice.

### INCOME

Income comprises donations, membership subscriptions, research sponsorship, event sponsorship and attendance fees which are recognised when all of the following criteria are met: the charity has entitlement to the funds; any performance conditions attached to the income have been met or are fully within the control of the Institute; there is sufficient clarity that receipt of the income is considered probable; and the amount can be measured reliably. Income received in advance of all these criteria being met is deferred until the criteria for income recognition are met.

Membership subscriptions are credited to income at the start of the membership period. Subscription income under gift aid is shown gross of tax recoveries.

Interest on funds held on deposit is recognised when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest received or receivable from the Institute’s bank.

Income with restrictive conditions, where the income can be used only for a specific purpose, is accounted for as a restricted fund.

All income is derived from activities within the UK.

### EXPENDITURE

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable settlement will be required and the amount of the obligation can be measured reliably. Expenditure includes VAT which cannot be recovered and is classified under headings appropriate to the Institute’s activities. Administration expenditure is considered to relate almost exclusively to the management of the Institute for its charitable activities with minimal time consumed by fund raising issues. Expenditure on publications is written off as incurred and no value is placed on stock of publications.

**ACCOUNTING POLICIES (continued)**

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**FUND ACCOUNTING**

Unrestricted funds represent donations and other incoming resources received and receivable to further the general objects of the charity without further restricted purpose or need for repayment and are available as general funds.

Restricted funds are funds which are to be used in accordance with the specific restrictions imposed by the relevant supporter, or which have been raised by the Institute for a specific purpose. The Institute had one restricted fund during the year, Productivity Research. This fund includes income received from The Scottish Policy Foundation, Baillie Gifford and Sir Ewan Brown which has enabled a report on Scotland's productivity to be produced. The report was issued on 6 September 2018.

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

**TANGIBLE FIXED ASSETS AND DEPRECIATION**

Tangible fixed assets are stated at cost less accumulated depreciation. Additions costing less than £100 are not capitalised. Depreciation is calculated to write off the cost less residual value of the assets over their estimated useful lives at the following rates:

Equipment: 20% per annum straight line; and

Website: 20% per annum straight line.

**FINANCIAL INSTRUMENTS**

Financial instruments are recognised in the Institute's balance sheet when it becomes party to the contractual provisions of the instrument.

**Basic Financial Assets**

Basic financial assets, which include debtors and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market value rate of interest. Financial assets classified as receivable within one year are not amortised.

Cash at bank and in hand includes short term highly liquid bank accounts with a short maturity of three months or less.

**Basic Financial Liabilities**

Basic financial liabilities, which include creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

**PENSIONS**

The Institute makes contributions into a defined contribution automatic enrolment pension scheme for employees. The assets of the scheme are held separately from those of the Institute in independently administered funds.

**TAXATION**

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

**ACCOUNTING POLICIES (continued)**

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**GOING CONCERN**

The Institute's financial statements are prepared on the going concern basis. The trustees consider this basis is appropriate in view of the Institute's existing liquid reserves and since the year end the Institute has received or the trustees expect it will receive sufficient income from donors and other funders to enable it to continue to provide services for the foreseeable future and to meet its day to day working capital and capital commitments as they fall due. The trustees have not identified any material uncertainties about the Institute's ability to continue as a going concern.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

	2018 £	2017 £
<b>1. NET (EXPENDITURE) FOR THE YEAR</b>		
Net (expenditure) for the year is stated after charging the following administration and office costs:		
Employment costs (note 2)	69,203	62,655
Operating lease rentals – property	-	7,642
Depreciation	357	3,042
Loss on disposal of fixed assets	7,778	-
Auditors’ remuneration – audit services	2,500	2,500
Auditors’ remuneration – accountancy services (accountancy and payroll services)	<u>200</u>	<u>365</u>

**2. EMPLOYMENT COSTS**

Salaries	64,750	41,333
Termination payment	-	19,000
Employer’s national insurance contributions	7,702	4,216
Employer’s contributions to defined contribution pension scheme	1,186	189
Less: employment allowance	<u>(4,435)</u>	<u>(2,083)</u>
	<u>£69,203</u>	<u>£62,655</u>

Key management personnel comprises the non-statutory director. During the year key management personnel remuneration totalled £64,750 (2017 £35,000). There was an average of one (2017 two) employee(s) during the year including the charity’s non-statutory director. In the previous year, as part of the restructuring of the Institute, a total settlement payment of £19,000 was made to a former employee. During the year one employee (2017 no employees) received total emoluments within the band of £60,000 to £70,000. No fees or remuneration were paid to Trustees (2017 nil). No expenses were reimbursed to Trustees or paid on their behalf (2017 nil).

**3. TANGIBLE FIXED ASSETS**

	Equipment and website £
<b>COST</b>	
At 1 August 2017	15,674
Additions	-
Disposals	<u>(15,674)</u>
At 31 July 2018	-
<b>DEPRECIATION</b>	
At 1 August 2017	7,539
Charge for the year	357
Disposals	<u>(7,896)</u>
At 31 July 2018	-
<b>NET BOOK VALUE</b>	
At 31 July 2018	<u>£-</u>
At 31 July 2017	<u>£8,135</u>

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018 (continued)**

4. ENTITY INFORMATION

The Institute is a private company limited by guarantee without a share capital, a public benefit entity registered in Scotland, formed in 1985 otherwise than for profit and exempt from the requirements to use the word "Limited". In the event of the Institute being wound up, the liability of each member is restricted to one pound. The company's registered number, charity registration number and registered office can be found on page 2 of these financial statements.

5. DEBTORS

	2018 £	2017 £
Accrued income	2,858	15,998
Other debtors	<u>13</u>	<u>-</u>
	<u>£2,871</u>	<u>£15,998</u>

Accrued income includes donations receivable totalling nil (2017 £12,000).

6. MOVEMENT ON FUNDS

	At 01/08/17 £	Income £	Expenditure £	Net movement £	Transfers £	At 31/07/18 £
Unrestricted funds:						
General fund	<u>124,661</u>	<u>96,787</u>	<u>(121,438)</u>	<u>(24,651)</u>	-	<u>100,010</u>
Total unrestricted funds	<u>124,661</u>	<u>96,787</u>	<u>(121,438)</u>	<u>(24,651)</u>	-	<u>100,010</u>
Restricted funds:						
Productivity Research	-	<u>23,875</u>	<u>(13,180)</u>	<u>10,695</u>	-	<u>10,695</u>
Total restricted funds	-	<u>23,875</u>	<u>(13,180)</u>	<u>10,695</u>	-	<u>10,695</u>
<b>TOTAL FUNDS</b>	<u>£124,661</u>	<u>£120,662</u>	<u>£(134,618)</u>	<u>£(13,956)</u>	<u>£ -</u>	<u>£110,705</u>

The purpose of the Productivity Research restricted fund is described on page 14.

7. ANALYSIS OF NET ASSETS BETWEEN FUNDS

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

	Unrestricted funds £	Restricted funds £	2018 Total £	2017 Total £
Fixed assets	-	-	-	8,135
Net current assets	<u>100,010</u>	<u>10,695</u>	<u>110,705</u>	<u>116,526</u>
	<u>£100,010</u>	<u>£10,695</u>	<u>£110,705</u>	<u>£124,661</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018 (continued)**

8. RELATED PARTIES

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