

Company Registration No. SC36656

Scottish Charity Number SC014705

CALEDONIAN RESEARCH FOUNDATION
(A charitable company limited by guarantee)

**REPORT
and
FINANCIAL STATEMENTS**

For the year ended 31 December 2006



CALEDONIAN RESEARCH FOUNDATION
(A charitable company limited by guarantee)

REPORT and FINANCIAL STATEMENTS

For the year ended 31 December 2006

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CALEDONIAN RESEARCH FOUNDATION
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REPORT OF THE GOVERNING BODY

The governing members have pleasure in presenting their annual report, together with the audited financial statements for the year ended 31 December 2006.

REFERENCE AND ADMINISTRATIVE DETAILS

Governing Members / Directors

Professor D T Baird, CBE, BA, MBChB, DSc, FRCP, FRCOG, FRSE
FRMedSci (Chairman)

Professor J R Coggins, MA, PhD, FRSE

R Scott Brown, MA, LLB, LLD

Professor J A Wyke, MA, VetMB, PhD, MRCVS, FRSE, FMedSci – retired
November 2006

Professor C C Bird, CBE, MBChB, PhD, MRCPPath, FRCPath, FRCPE,
FRSE, FRCSE, FMedSci – retired November 2006

Professor N B Burrows, LLB, PhD, FRSA - retired November 2006

Professor V van Heyningen, MA, MS, DPhil, FRSE, FMedSci

Professor J H Ohlmeyer, MA, PhD, FRHistSoc

Professor N E Haites, PhD, MBChB, FRCPath, FRCP Lond, FRCP
Ed, FMedSci

Rev Canon Professor John S Richardson, MA, D Phil, FRSE

Dr Walter S Nimmo BSC, MD, FRCP, FANZA, FRCE, FRCS (Ed)

Professor Cheryl Tickle CBE, MA, PhD, FRS, FRSE, F Med Sci, FI Biol
(Hon)

Professor Walter Kolch MD, FRSE – appointed May 2006

Professor Elizabeth A Moignard MA, DPhil, FSA, FRSE – appointed May
2006

Professor Jonathan R Seckl MBBS, PhD, MMBS, MRCP(UK), FRCPE,
FMedSci – appointed May 2006

**Secretaries and
Solicitors**

Murray Beith Murray WS
39 Castle Street
Edinburgh
EH2 3BH

**Registered Office and
Principal Address**

39 Castle Street
Edinburgh
EH2 3BH

Scottish Charity Number SCO14705

Company Registration No. SC36656

Registered Auditors

Chiene + Tait
61 Dublin Street
Edinburgh
EH3 6NL

Bankers

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

Investment Advisors

Speirs & Jeffrey
36 Renfield Street
Glasgow
G2 1NA

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REPORT of the GOVERNING BODY (Cont'd)

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The company has no share capital and is a company limited by guarantee, each member undertaking to subscribe, up to a limit of £1, such sums as may be necessary to pay the debts of the company in the event of dissolution.

The management of the company is the responsibility of the Governing Body whose members are elected under the terms of the constitution of the company. The members of the Governing Body are the company's directors and are the charity trustees.

The company is exempt from taxation under section 505 of the Income and Corporation Taxes Act 1988.

Governing Members

The Governing Members who served in the year ended 31 December 2006 are stated on page 2. The Governing Members received no emoluments. Expenses received by Governing Members are detailed on note 4 to the financial statements.

Professor David Baird, Professor John Coggins, Professor John Wyke, Professor Colin Bird, Professor Veronica van Heyningen, Revd Canon John Richardson, Dr Walter Nimmo, Professor Cheryl Tickle, Professor Walter Kolch and Professor Elizabeth Moignard are all fellows of The Royal Society of Edinburgh. Further details about The Royal Society of Edinburgh may be obtained from its Executive Secretary, 22 George Street, Edinburgh EH2 2PQ.

Recruitment – a guideline had been drawn up, and was approved by the Governing Members, to ensure the regular rotation of Governing Members and the continued introduction of new Governors. When it is proposed to recruit a new Governor, the Governors are asked to suggest suitably qualified individuals based on academic and research backgrounds, publications and other aspects of work. The Governors together consider the persons suggested taking into account the academic disciplines which it is felt would enhance and improve the function of the Foundation and, once an agreement is reached, an invitation is made to a prospective Governor inviting them to consider becoming a member.

Induction and training – the new Governors are given full information about the history and working of the Foundation and the duties and responsibilities of Governors and have the opportunity to make their own enquiries of Governors and others concerning the operation of the Foundation.

Organisation

The full board of governing Members meets twice each year, normally in May and November with the Company's AGM also being held at the May meeting. An investment sub-committee meets quarterly to review the investments with the Investment Advisors and members of the sub-committee receive regular reports and recommendations between meetings. A joint committee of Governors and Fellows of the Royal Society of Edinburgh is responsible for considering the applications for Bio-medical research Fellowships. The day to day administration of the Foundation including the receipt and banking of income and payment of grants and other expenses and the administration of the Bio-medical Research Fellowships is delegated to the appointed Solicitors and Secretaries. The administration of the Biomedical Research Conferences, Prize Lectureships and European Visiting Scholarships is carried out by the Royal Society of Edinburgh, whilst the administration of the Postgraduate Scholarships is carried out by The Carnegie Trust for the Universities of Scotland

Risk management

The Governing Members have assessed the major risks to which the company is exposed; in particular those related to the operations and finances of the company the investment of the company's funds, the fair consideration of and awarding of Fellowships and Grants, loss of critical records and any event which might affect the Foundation's ability to achieve its principal objectives and activities. They are satisfied that systems have been put in place to mitigate their exposure to both major and minor risks.

**CALEDONIAN RESEARCH FOUNDATION
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REPORT of the GOVERNING BODY (Cont'd)

Risk management (cont'd)

The control risk is achieved though:

- the appointing of Investment Advisors to advise on the investment portfolio;
- the appointment of the Solicitors and Secretaries to carry out the day to day administration of the Foundation in compliance with regulations governing charities. They are also bound by the Law Society of Scotland Solicitors' Accounts Rules in relation to their client monies;
- appointment of Auditors to review the Financial Statements and ensure compliance with all Financial Accounting standards and Statements of Recommended Practice.

The Governors themselves review commitments against funds at each meeting of the Governors. A full audit trail is available for all grants and receipts taken for payments. The Solicitors ensure that backup of financial data is taken daily and held offsite. At their meetings, the Governing Members review the areas of risk and the measures put in place to protect against these risks.

OBJECTIVES AND ACTIVITIES

Principal objectives and activities

The principal object of the company is the furtherance of scientific and other research. To this end the company has entered into understandings with The Royal Society of Edinburgh and The Carnegie Trust for the Universities of Scotland as outlined in note 8 to the financial statements. The company has no employees.

The company promotes:

- Research Fellowships for younger academic staff carrying out advanced work in the biomedical sciences in Scottish higher education institutes.
- European Visiting Fellowships to enable scholars of the Arts and Letters from continental Europe to spend short periods working in Scotland and vice versa.
- Postgraduate Scholarships for students undertaking research leading to a PhD degree in Scotland.
- An annual Prize Lectureship to bring an academic of international repute to visit Scottish research centres and give lectures.
- An annual International Conference on aspects of the biomedical sciences.

Grant making policy

The company makes the following awards on an annual basis:

- 1) **Personal Research Fellowships** for younger academic staff carrying out advanced work in biomedical sciences in Scottish higher education and research institutions. Two new three year Biomedical Personal Research Fellowships are normally awarded each year. Following the closing date for applications in March of each year (this year 3rd March 2006), the applications are sent out to all members of the Biomedical Research Fellowships Selection committee which comprises both Foundation and RSE members. The applications are considered and graded by each member. The ten most highly scored applications are considered further and discussed at a meeting of the selection committee and offers are issued to the successful applicants. Annual reports are required from each Fellow. The awards themselves are paid to the University/Research Finance departments quarterly by the secretaries of the Foundation.

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REPORT of the GOVERNING BODY (Cont'd)

OBJECTIVES AND ACTIVITIES (cont'd)

Grant making policy (cont'd)

- 2) **European Visiting Research Fellowships** enable scholars of the Arts & Letters from continental Europe to spend short periods (up to 6 months) working in Scotland and vice versa. Eight grants of up to £6,000 each are normally awarded each year (four in each direction). These awards are considered by the European Visiting Research Fellowships Committee which includes members of the RSE and the Foundation. The deadline for applications is 1 November and the committee discusses these at a December meeting.
- 3) **Postgraduate Scholarships** for students undertaking research leading to a PhD in any subject in Scotland. Two awards are normally made each year. The deadline for applications is March for the academic year starting in the following October. The awards are made through the Carnegie Trust for the Universities of Scotland.
- 4) **Prize lectureships** to bring to Scotland an academic of International repute. One award is made each year and the subject alternates between the biomedical sciences and the humanities. The award is made through a prize lecture committee which includes members of the RSE and the Foundation.

ACHIEVEMENTS & PERFORMANCE

Activities for the year

Two new Biomedical Fellowships were awarded bringing to eight the number of Fellows in Post during the year. Regular payments and Travel and Support Grants were paid to these Fellows. Eight European Visiting Fellowship awards were made and nine students undertaking research leading to a PhD were supported. The Prize Lectureship was given by Professor Ron Mackay in May.

A website was maintained to ensure the fullest possible publication of information and the regulations concerning the work and grant making activity of the Foundation, and work was undertaken on the website to improve the format and thus improve accessibility for persons with disabilities.

Principal achievements for the year

The successful awarding of two Caledonian Research Fellowships and the other grants referred to above, and the delivery of the Prize Lecture by Professor Ron Mackay.

An International Conference was held on 27th & 28th April 2006, entitled 'Beyond the Human Genome: Deciphering Biology and Disease'.

FINANCIAL REVIEW

Performance review for the year

The operations for the financial year ended 31 December 2006 resulted in a net increase in funds of £729,179 (2005: increase of £763,087) as set out in the Statement of Financial Activities on page 9. This was achieved by virtue of the increase in value of the investment portfolio which, at 31st December 2006, had a value in excess of £8.7 million.

Reserves policy

The Unrestricted Funds are the free reserves of the company. The invested funds produce income to meet annual expenditure used in the furtherance of the company's charitable objectives, although annual expenditure need not be restricted to income and the Governors are free to use capital for this purpose. Capital in this context includes both realised and unrealised gains on Investments. Reserves at 31st December 2006 stood at £8,518,003 including the Revaluation Reserve of £2,646,744.

Investment policy

The Investment Advisors are instructed to seek both capital and income growth. An investment sub-committee of governors is authorised to approve and initiate purchases and sales of investments. The investment portfolio is defensively positioned and the Governing Members are satisfied that the performance is satisfactory in the context of the difficult period for the stock market generally.

CALEDONIAN RESEARCH FOUNDATION
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REPORT of the GOVERNING BODY (Contd.)

FINANCIAL REVIEW (cont'd)

PLANS FOR FUTURE PERIODS

The Governors will continue to support the Bio-medical Fellows in post and sustain the current level of grant making to European Visiting Fellows and the Carnegie PhD students. They plan to award two new Bio-medical Fellowships in 2007. They plan to continue with the award of two new Bio-medical Fellowships in succeeding years although they will continue to monitor changes in University funding occasioned by the policy of Full Economic Costing and other policies and will review their grant-making policies in the light of such changes. The governors will be holding an international conference and the Prize lecture in 2007 and plan to continue these activities in future years.

Governing Members' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Governing Members 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Small company provisions

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

Auditors

A resolution to re-appoint Chiene + Tait as auditors will be proposed at the forthcoming annual general meeting.

BY ORDER OF THE GOVERNING BODY

MURRAY BEITH MURRAY
Secretaries

24 April 2007



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CALEDONIAN RESEARCH FOUNDATION

We have audited the financial statements of Caledonian Research Foundation for the year ended 31 December 2006 set out on pages 9 to 13. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2005).

This report is made solely to the charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of governing members and auditors

The responsibilities of the governing members (who are also the directors of Caledonian Research Foundation, for the purpose of company law) for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Governing Members' 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 Companies Act 1985. We also report to you whether, in our opinion, the information given in the Governing Members' Annual Report is consistent with the financial statements. In addition we report to you if, in our opinion, the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding governing members' remuneration and transactions with the charity is not disclosed.

We read the Governing Members' 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 judgements made by the governing members' 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.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CALEDONIAN RESEARCH FOUNDATION (Cont'd)**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to smaller entities, of the state of the charity's affairs as at 31 December 2006 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Governing Members' Annual Report is consistent with the financial statements.

CHIENE + TAIT
Chartered Accountants and Registered Auditors
61 Dublin Street
Edinburgh EH3 6NL

27 April 2007

CALEDONIAN RESEARCH FOUNDATION
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STATEMENT OF FINANCIAL ACTIVITIES
(Incorporating Income and Expenditure Account)

For the year ended 31 December 2006

	Notes	2006 £	2005 £
Incoming resources			
Incoming resources from generated funds			
Investment income	2	428,321	369,709
		-----	-----
Total incoming resources		428,321	369,709
		-----	-----
Resources expended			
Cost of generating funds			
Charitable activities	3	404,107	401,533
Governance costs	4	27,795	21,336
Other resources expended		4,718	8,880
		-----	-----
Total resources expended		436,620	431,749
		-----	-----
Net outgoing resources		(8,299)	(62,040)
Other recognised gains and losses			
Realised gains on investment assets	5	109,233	40,330
		-----	-----
Net surplus / (deficit) for the year		100,934	(21,710)
Unrealised gains on investment assets		628,245	784,797
		-----	-----
Net increase in funds		729,179	763,087
Funds brought forward at 1 January 2006		7,788,824	7,025,737
		-----	-----
Funds carried forward at 31 December 2006		8,518,003	7,788,824
		=====	=====

All incoming funds and resources expended are derived from continuing activities.

The notes on pages 11 to 13 form part of these financial statements

CALEDONIAN RESEARCH FOUNDATION
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BALANCE SHEET

As at 31 December 2006

	Notes	£	2006 £	£	2005 £
Fixed assets					
Investments	5		8,760,826		8,119,218
Current assets					
Debtors	6	6,262		96,640	
Cash at bank		270,442		107,124	
		-----		-----	
		276,704		203,764	
		-----		-----	
Creditors					
Amounts falling due within one year	7	271,316		306,696	
		-----		-----	
Net current assets / (liabilities)			5,388		(102,932)
			-----		-----
Total assets less current liabilities			8,766,214		8,016,286
Creditors: amounts falling due after one year	8		(248,211)		(227,462)
			-----		-----
Net assets			8,518,003		7,788,824
			=====		=====
Unrestricted funds					
Unrestricted income funds			5,871,259		5,638,880
Revaluation reserve			2,646,744		2,149,944
			-----		-----
	9		8,518,003		7,788,824
			=====		=====

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and the Financial Reporting Standard for Smaller Entities (January 2005).

The financial statements were approved by the Governing Body on 24 April 2007, and signed on its behalf by:

Professor D T Baird

Governing Member

Dr W S Nimmo

Governing Member

The notes on pages 11 to 13 form part of these financial statements

CALEDONIAN RESEARCH FOUNDATION
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NOTES to the FINANCIAL STATEMENTS

For the year ended 31 December 2006

1. Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of fixed asset investments, in accordance with the Statement of Recommended Practice - Accounting and Reporting by Charities (SORP 2005), with the Companies Act, the Financial Reporting Standard for Smaller Entities (January 2005) and with the Constitution.

Investments

Investments are valued at the middle market price ruling at close of business on the balance sheet date. Realised gains and losses on the sale of investments and unrealised gains and losses in respect of the revaluation of investments are reflected within the Statement of Financial Activities.

Income and expenditure

Investment income is included in the financial statements in the year in which it is receivable. Expenditure is included on an accruals basis.

Grants payable are payments to third parties in the furtherance of the charitable objectives of the Trust. The grants are accounted for where the Governors have agreed to pay the grant without condition and the recipient has a reasonable expectation that they will receive the grant. Certain additional grants or allowances are only paid when claimed and supported. Such expenditure is reflected in the Statement of Financial Activities when paid.

2. Investment income	2006	2005
	£	£
Government stocks	127,475	151,700
Other listed investments	287,215	208,913
Bank interest	13,631	9,096
	-----	-----
	428,321	369,709
	=====	=====

3. Charitable activities	2006	2005
	£	£
Grants		
Bio-medical Research Fellowships (incl support costs £13,513: 2005 £10,575)	234,193	252,884
Royal Society of Edinburgh		
- for other Fellowships	32,584	26,610
- for Prize Lecture, and International Conference(2006 only)	31,262	8,963
Bursaries		
Carnegie Scholarships (incl support costs £1,700: 2005 £1,650)	106,068	113,076
	-----	-----
	404,107	401,533
	=====	=====

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NOTES to the FINANCIAL STATEMENTS (Contd.)

For the year ended 31 December 2006

3. Charitable activities (Contd.)	2006	2005
Analysis of grants (all to individuals):	£	£
Bio-medical Research Fellowships		
- grants awards made in year	190,296	198,519
- additional start up, support and travel grants paid / adjustment to Grants	30,384	43,790
Carnegie Scholarship		
- grant awards made in year	104,526	105,920
- additional research and travel allowances paid / adjustment to Grants	1,532	5,506

European Fellowships – 7 grants in total (range £2,000-£6,000)

4. Governance costs	2006	2005
	£	£
Audit fees	2,632	1,913
Secretarial and administrative expenses	24,016	17,966
Governing Body expenses	1,147	1,457
	-----	-----
	27,795	21,336
	=====	=====

Governing Body expenses consists of travelling expenses reimbursed to governing members, and costs of meetings. No remuneration was paid to members of the governing body.

5. Investments	2006	2005
	£	£
Market value at 31 December 2005	8,119,218	7,406,216
<u>Less:</u> Disposals at opening book value	(716,951)	(846,695)
<u>Add:</u> Acquisitions at cost	730,315	774,900
Net gain on revaluation at 31 December 2006	628,244	784,797
	-----	-----
Market value at 31 December 2006	8,760,826	8,119,218
	=====	=====
Historical cost at 31 December 2006	6,114,082	5,969,274
	=====	=====
UK listed investments:		
Government stocks	1,784,734	1,875,693
Equities (including convertibles)	6,976,092	6,243,525
	-----	-----
	8,760,826	8,119,218
	=====	=====
Gain on disposal of investments:		
Proceeds	826,184	887,025
Book value	(716,951)	(846,695)
	-----	-----
Realised gain	109,233	40,330
	=====	=====

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NOTES to the FINANCIAL STATEMENTS (Contd.)

For the year ended 31 December 2006

5. Investments (Contd.)

	Market Value £
Individual holdings exceeding 5% of the market value of the portfolio: 8% Treasury Stock 2009	1,616,448 =====

6. Debtors

	2006 £	2005 £
Taxation recoverable	-	1,513
Accrued income	742	16,131
Other debtors	5,520	78,996
	-----	-----
	6,262	96,640
	=====	=====

7. Creditors: Amounts falling due within one year

	2006 £	2005 £
Accruals	19,778	27,906
Grants to be paid		
- Biomedical Fellowships	169,838	191,665
- Carnegie Scholarships	81,700	87,125
	-----	-----
	271,316	306,696
	=====	=====

8. Creditors: amounts falling due after more than one year

Grants		
- Biomedical Fellowships	179,911	160,062
- Carnegie Scholarships	68,300	67,400
	-----	-----
	248,211	227,462
	=====	=====

9. Unrestricted funds

	2006 £	2005 £
At 31 December 2005	7,788,824	7,025,737
Net movement in funds for year	729,179	763,087
	-----	-----
At 31 December 2006	8,518,003	7,788,824
	=====	=====