



Biennial Review 2004-06

**Supporting Research of International
Quality in Scotland**

Caledonian Research Foundation is a Scottish Charity which has supported independent research in Scotland since 1990. It was originally established in 1977 as a spinout from a scientific research organisation and as a charity, but the emphasis of its activities changed in 1990 and its interest now lies mainly in sponsoring and encouraging research in Scotland.

In seeking to achieve its aim of promoting research of international standard in Scotland, the Foundation's Governors, who are all senior figures active in the Scottish academic and business communities, work closely with both the Royal Society of Edinburgh and the Carnegie Trust for the Universities of Scotland.

Caledonian Research Foundation has no share capital and is a charitable 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 and who receive no emoluments for their services. 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 & Corporation Taxes Act 1988.

Caledonian Research Foundation has Company Registration No. SC36656 and is Scottish Charity No. SCO14705.

Governors

Professor David T Baird CBE BA MD(hc) DSc FRCP(Ed) FRCOG FRSE FMedSci (*Chairman*)

Professor Colin C Bird CBE MBChB PhD MRCPath FRCPath FRCPE FRSE FRCSE FMedSci

R Scott Brown MA LLB LLD

Professor Noreen B Burrows LLB PhD FRSA

Professor John R Coggins MA PhD FRSE

Professor Neva E Haites PhD MBChB FRCPath FRCP(Lond) FRCP(Ed) FMedSci

Professor Veronica van Heyningen MA MS DPhil FRSE FMedSci (*Deputy Chairman*)

Professor John DMH Laver CBE MA PhD DLitt FBA FRSE FIOA (*retired November 2005*)

Dr Walter S Nimmo BSc MD FRCP FANZA FRCE FRCS(Ed) (*appointed November 2005*)

Professor Jane Ohlmeyer MA PhD FRHistSoc

Rev Canon Professor John S Richardson MA DPhil FRSE (*appointed May 2005*)

Dr Ian P Sword CBE PhD CChem FRSC FRSE FRCP(Ed) (*retired May 2005*)

Professor Cheryll Tickle CBE MA PhD FRS FRSE FMedSci FIBiol(Hon) (*appointed November 2005*)

Professor John A Wyke MA VetMB PhD MRCVS FRSE, FMedSci

Secretaries & Solicitors:

Murray Beith Murray WS, 39 Castle Street, Edinburgh EH2 3BH

Registered Office & Principal Address:

39 Castle Street, Edinburgh EH2 3BH

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

Chairman's Introduction

Professor David T Baird



In the two years since we last published a review of the Foundation's activities, there have been many changes, not least in the passing of the new legislation governing the conduct and management of charities. We think that small research foundations such as the CRF, focused on problems of particular relevance to the local community, play an important role in providing seed corn for new developments.

Although we have always distributed printed copies of our biennial reviews widely and also made them available on our website, we have tended to include only limited, if any, financial information, preferring to concentrate on offering readers an overview of the range of ways in which we seek to support research of international standing in Scotland. Copies of our accounts have always been freely available on request from Murray Beith Murray, our Secretaries & Solicitors. We are now, however, required by statute to publish our annual accounts and you will find those for the last full financial year (to 31 December 2005) from page 5 of this review. In the years between publication of our biennial review, a more formal Report & Accounts will be published and made available on the website after the early summer meeting of the Governors.

After some years of downward trends in the financial markets, we have seen a small, but very welcome, increase in income from our investments during the period under review. This has not been sufficient, however, to enable us to make changes to the value or number of the awards we offer. To try to ensure that we attract the highest level of applicant for our Postgraduate Scholarships, we continue to offer slightly higher stipends than those offered by the Research Councils. We are currently investigating a number of options to help us maximise the value of our charitable support within Scotland's research community.

Our Prize Lectures are always well attended and those in the past two years were no exception, with some media coverage being generated for Professor McKay's. What is perhaps less well known is that in addition to delivering public lectures, the Prize Lecturers also spend time visiting relevant research centres during the time they are in Scotland. Joan Bakewell met staff and students at Strathclyde, Glasgow and Stirling Universities; Ron McKay visited a number of departments and research units in Edinburgh and Dundee Universities.

As can be seen from the Accounts, the Conference is a major item of expenditure, but one which we believe to be very well worthwhile. It provides a rare opportunity for researchers working in Scotland to come together, *in Scotland*, and hear those leading the field around the world and to discuss issues with them and colleagues from the

same and related disciplines. Young scientists in particular benefit from the opportunity of mixing face to face with international experts, providing a role model for the next generation.

During the past two years we have 'refreshed' our visual identity, prompted at least in part by disability discrimination legislation. We are proud, given our position as a charitable company, that our new website meets the highest international accessibility standards (W3C level 3).

The apparently seamless way in which Carole Hope took on her predecessor's mantle and ensured the continued smooth running of the Foundation's business is remarkable, particularly in light of the significant changes brought by legislation. I and my fellow Governors thank her for her support.

Among the resignations by rotation during the past two years, we were sorry when Ian Sword announced his intention to step down after our AGM in May 2005. As one of our founding members he brought experienced and wise counsel to our meetings and we miss him. As I write, I look forward to three new Governors joining us after our imminent meeting, when we will say farewell to Professors Noreen Burrows and John Wyke as they retire by rotation.

I close by thanking colleagues in the Royal Society of Edinburgh, the Carnegie Trust for the Universities of Scotland and also my fellow Governors for their continued support of the Foundation.

Supporting Scotland's Research Base

Each year, the Foundation awards two, three-year **Biomedical Research Fellowships** to support postdoctoral scientists in the early stages of their research careers. The following paragraphs are short summaries of the new projects supported in the past two years.

Memory processing

Our memory of specific events in our lives - for what happened, where and when - enables us to carry out everyday tasks, such as remembering where we parked the car this morning, or left the keys last night. This 'episodic memory' gets worse as we age and is among the first mental capacities to be affected by Alzheimer's disease. Dr Tobias Bast (Division of Neuroscience, University of Edinburgh) is investigating the underlying processes in the part of the brain (the hippocampus) that plays a central part in the acquisition and use of episodic memory. In particular, how the different parts of the hippocampus work together to combine, process and store information from diverse brain regions and to convey the stored information to executive brain structures.

Neuropathic pain

Neuropathic pain is one of the most debilitating types of chronic pain and is often resistant to pharmacological intervention. It results when the nerves that transmit sensory information from peripheral parts of the body to the spinal cord become damaged, for example as a result of infection, diabetes or surgery. As well as altering the function of the peripheral nerves themselves, this kind of injury dramatically changes the spinal cord regions critical for processing sensory information before it is relayed to the brain and "perceived". As a result, sensory information is "misprocessed" and patients experience spontaneous or exaggerated pain, or pain in response to non-painful stimuli. Dr Carole Torsney (Centre for Neuroscience, University of Edinburgh) is trying to identify the key molecular interactions in the spinal cord which result in this "misprocessing".

Cell structures

In the complex cells found in plants and animals, DNA compacted into chromosomes is kept within the cell nucleus. The nucleus itself contains several functional components that ensure that genes are properly activated and organised to help the cell function efficiently. The nucleolus is one of these specialised and highly complex structures which, among other important functions, is involved in many cellular processes that are deregulated in human cancers and other diseases. When cells divide, they go through a series of regulated steps which constitute the cell cycle. Dr Francois-Michel Boisvert (Division of Gene Regulation & Expression, Wellcome Trust Biocentre, University of Dundee) is studying the protein content of the nucleolus during different cell cycle stages, to identify new protein complexes and to understand the cellular processes involved.

Inflammation and Implantation

Implantation occurs in very early pregnancy, when a developing embryo embeds in the lining of the uterus (the endometrium). Endometrial inflammation and defence against infection are important for successful implantation. Defects in implantation are one cause of infertility and they may result from a change in how the endometrium functions. Dr Anne E. King (Obstetrics & Gynaecology, University of Edinburgh) aims to improve understanding of implantation problems, by comparing the function of the endometrium in healthy women, both pregnant and non-pregnant, with that in those suffering from implantation problems. In particular, she is interested in a specific molecule which controls inflammation and is also thought to have a role in controlling inflammation during menstruation.

The Foundation's **Postgraduate Scholarships** provide three years of funding for young graduates while they carry out research leading to a PhD degree. Unlike the Fellowships, these awards are not restricted to topics in the biosciences and, in fact, at least one each year is reserved for research in an arts or humanities subject. During the past two years, PhD projects have been started in Chemistry, Mathematics, Scottish Literature and in Archaeology.

Supporting Scotland's Research Base

As well as providing grants for research each year, the Foundation also supports other activities which aim to support those working in Scotland in whatever discipline.

The annual **Prize Lectureship** brings eminent scholars to Scotland, to deliver lectures and to visit research students and staff in universities and research centres throughout the country. The discipline alternates between the Arts & Humanities and the Biomedical Sciences.

The **2005** Lectures were delivered by journalist and broadcaster, Joan Bakewell. "Television and Culture - Was there ever a Golden Age?" was her title when she visited Scotland in October of that



year and spoke to packed and lively audiences in both The Royal Museum, Edinburgh and The Bute Hall, University of

Glasgow. It is easily said nowadays that "television has dumbed down". The sentiment is one of regret and nostalgia for a so-called "golden

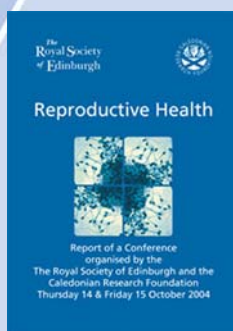
age" – but how golden was it? In her lecture, Joan Bakewell, whose television career spanned those 'golden' decades, examined what television was really like then and why – and how – our perceptions of television's value have shifted.

In May **2006**, Professor Ronald McKay, of the US National Institute of Neurological Disorders & Stroke, made a welcome return to Scotland as the Foundation's Prize Lecturer. His general subject was the highly topical one of stem cells. The focus of his lecture, entitled "Implementing the promise of stem cells in science and medicine", was his research on the cells of the central nervous system, what controls the differentiation and survival of the cells and, in particular the mutations in the relevant genes in patients with Parkinson's disease. Professor McKay's lectures were given in Dundee University and at the Royal Society of Edinburgh.

The Foundation also supports a two-day international **Biomedical Sciences Conference** of the Royal Society of Edinburgh, with the aim of encouraging participants to take a multidisciplinary approach to consideration of issues in the chosen subject.

The October 2004 conference, entitled simply "**Reproductive Health**", considered the consequences of many demographic changes on patterns of reproductive health, in both the developed and less developed countries. Advances in medical knowledge, the availability of treatment services and shifting behavioural and social attitudes all combine to influence reproductive health.

Although it offers great promise, many questions remain to be answered about how the information gained from the sequencing of the human genome can best be exploited in the years ahead. Participants at the "**Beyond the Human Genome**" conference in the spring of 2006 considered some of those concerned with genome research, drug development and, importantly, healthcare and society more generally.



Reports of both conferences are available to download as PDF files from the Foundation's website (www.calres.co.uk/conference.htm).

Research Awards Made

In the past two years the Foundation has made the following awards for research.

Personal Research Fellowships in the Biomedical Sciences

Dr **Graham Rena**, Division of Pathology & Neuroscience, Ninewells Hospital & Medical School, University of Dundee – for research into the biochemistry and cellular biology of FOXO transcription factors (2004-07)

Dr **Rainer Breitling**, Plant Sciences Group, Institute of Biomedical & Life Sciences, University of Glasgow – for an investigation of the representation and exploitation of diverse biological evidence in the context of systems biology (2004-07)

Dr **Tobias Bast**, Division of Neuroscience, University of Edinburgh – for research into episodic memory (2005-08)

Dr **Carole Torsney**, Centre for Neuroscience, University of Edinburgh – for research into neuropathic pain (2005-08)

Postgraduate Research Scholarships

Ms **Margaret Maxwell**, Aberdeen University: Negative Equity?: Culture, Identity and Representations of 'the house' (2004-07)

Ms **Elizabeth Miller**, Heriot-Watt University: Geometric group theory for inverse semigroups (2004-07)

Ms **Ainsley McIntosh**, Aberdeen University: A Critical Edition of *Marmion* by Walter Scott (2005-08)

Mr **John Walker**, Glasgow University: Ricci-flat Kaehler metrics on complexified homogeneous spaces (2005-08)

European Visiting Fellowships in the Humanities

From Continental Europe to Scotland

Dr **Martin Ivanov**, History Institute, Bulgarian Academy of Sciences to visit the Department of Economic & Social History, University of Edinburgh

Dr **Joan Carles Maixe Altes**, Department of Applied Economics, University of La Coruna, Spain to visit the Department of Economic & Social History, University of Glasgow

Dr **Ilena Ruggiu**, Faculty of Law, University of Cagliari, Italy to visit the Faculty of Law & Financial Studies, University of Glasgow

Dr **Guido Alfani**, Istituto di Storia Economica, Universita Commerciale L. Bocconi, Italy to visit the Department of History, University of Glasgow

Dr **Javier Calle Martin**, Department of English Philology, University of Malaga to visit the Department of English Language, University of Glasgow

Dr **Alexander Pavlenko**, Taganrog Institute of Management & Economics, Russia to visit the School of English, University of Aberdeen

Dr **Barbara Schaff**, Department fur Anglistik und Amerikanistik, Universitat Munchen to visit the Department of English Literature, University of Edinburgh

From Scotland to Continental Europe

Dr **Natalie A. Adamson**, School of Art History, University of St Andrews to visit the Institut National d'Histoire de l'Art, Paris

Dr **Peter A. R. van Dommelen**, Department of Archaeology, University of Glasgow to visit the Department of Prehistory & Archaeology, University of Valencia, and the Archaeological Museum and various sites in Ibiza

Dr **Andrew M. Godfrey**, School of Law, University of Glasgow to visit the Max Planck Institute for European Legal History, Frankfurt am Main

Dr **Jens Timmermann**, Department of Moral Philosophy, University of St Andrews to visit the Philosophisches Seminar, Gottingen University

Ms **Maria Fletcher**, School of Law, University of Glasgow to visit the Robert Schuman Centre for Advanced Studies, at the European University Institute, Florence

Professor **Brian Girvin**, Department of Politics, University of Glasgow to visit the University of Aarhus, Denmark

Dr **Frank Muller**, Department of Modern History, University of St Andrews to visit the Department of History, Freie Universitat Berlin

Dr **Jane Stuart-Smith**, Department of English Language, University of Glasgow to visit the Fachbereich Literatur und Sprachwissenschaften, Universitat Hannover

Financial Review

Performance review for the year

The operations for the financial year ended 31 December 2005 resulted in a net increase in funds of £763,087 (2004: increase of £412,732) as set out in the Statement of Financial Activities on page 6. This was achieved by virtue of the increase in value of the investment portfolio which, at 31st December 2005, had a value in excess of £8.1 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 2005 stood at £7,788,824 including the Revaluation Reserve of £2,149,944.

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.

Plans for Future Periods

The Governors will continue to support the Biomedical 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 Biomedical Fellowships in 2006. They plan to continue with the award of two new Biomedical 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 2006 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.

Statement of Financial Activities

(Incorporating Income and Expenditure Account)

For the year ended 31 December 2005

	Notes	2005 £	2004 (restated) £
Incoming resources			
Incoming resources from generated funds			
Investment income	2	369,709	354,707
Total incoming resources		<u>369,709</u>	<u>354,707</u>
Resources expended			
Cost of generating funds			
Charitable activities	3	401,533	361,857
Governance costs	4	21,336	20,613
Other resources expended		8,880	3,589
Total resources expended		<u>431,749</u>	<u>386,059</u>
Net outgoing resources		(62,040)	(31,352)
Other recognised gains and losses			
Realised gains on investment assets	5	40,330	20,316
Net expenses for the year		(21,710)	(11,036)
Unrealised gains on investment assets		784,797	423,768
Net increase in funds		763,087	412,732
Funds brought forward at 1 January 2005		7,025,737	6,613,005
Funds carried forward at 31 December 2005		<u>7,788,824</u>	<u>7,025,737</u>

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

The notes on pages 8 to 10 form part of these financial statements

Balance Sheet

As at 31 December 2005

	Notes	2005	2004
		£	(restated) £
Fixed assets			
Investments	5	8,119,218	7,406,216
Current assets			
Debtors	6	96,640	15,672
Cash at bank		107,124	210,163
		<u>203,764</u>	<u>225,835</u>
Creditors			
Amounts falling due within one year	7	306,696	376,538
		<u>(102,932)</u>	<u>(150,703)</u>
Net current liabilities			
		(102,932)	(150,703)
Total assets less current liabilities		8,016,286	7,255,513
Creditors: amounts falling due after one year	8	(227,462)	(229,776)
Net assets		7,788,824	7,025,737
		=====	=====
Unrestricted funds			
Unrestricted income funds		5,638,880	5,297,981
Revaluation reserve		2,149,944	1,727,756
	9	<u>7,788,824</u>	<u>7,025,737</u>
		=====	=====

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 2 May 2006 and signed on its behalf by:

Professor D T Baird, Governing Member

R Scott Brown, Governing Member

The notes on pages 8 to 10 form part of these financial statements

Notes to the Financial Statements

For the year ended 31 December 2005

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.

Prior year adjustment

A prior year adjustment has been inserted to the financial statements as a result of a change in the accounting policy for recognising grants. Grants awarded under the Biomedical Fellowship and Carnegie Scholarships are now recognised at the point at which the commitment is made. This change in accounting policy has resulted in a prior year adjustment for the company. Unrestricted funds at 1 January 2004 have been decreased by £657,950. For the year ended 31 December 2005, the change in accounting policy has resulted in a net increase in funds for the year of £68,163 (2004 : £83,535).

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

	2005	2004
	£	£
Government stocks	151,700	151,700
Other listed investments	208,913	188,968
Bank interest	9,096	12,526
Tax recovered	-	1,513
	<hr/>	<hr/>
	369,709	354,707
	=====	=====

3. Charitable activities

	2005	2004
	£	(restated) £
Grants		
Biomedical Research Fellowships (inc. support costs £10,575: 2004 £10,575)	252,884	201,481
Royal Society of Edinburgh		
- for other Fellowships	26,610	30,438
- for (Prize Lecture and International Conference – 2004)	8,963	28,009
Bursaries		
Carnegie Scholarships (inc support costs £1,650: 2004 £1,600)	113,076	101,929
	<hr/>	<hr/>
	401,533	361,857
	=====	=====

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2005

3. Charitable activities (continued)

	2005	2004 (restated)
	£	£
Analysis of grants (all to individuals):		
Biomedical Research Fellowships		
- grant awards made in year	198,519	148,784
- additional Start-Up, Support and Travel grants paid	43,790	42,121
Carnegie Scholarships		
- grant awards made in year	105,920	95,498
- additional research and travel allowances paid	5,506	4,831
European Fellowships – 7 grants in total (range £2,000-£5,950)		

4. Governance costs

	2005	2004
	£	£
Audit fees	1,913	1,854
Secretarial and administrative expenses	17,966	17,477
Governing Body expenses	1,457	1,282
	21,336	20,613
	=====	=====

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

	2005	2004
	£	£
Market value at 31 December 2004	7,406,216	6,878,518
Less: Disposals at opening book value	(846,695)	(421,411)
Add: Acquisitions at cost	774,900	525,341
Net gain on revaluation at 31 December 2005	784,797	423,768
	8,119,218	7,406,216
	=====	=====
Historical cost at 31 December 2005	5,969,274	5,872,396
	=====	=====
UK listed investments:		
Government stocks	1,875,693	2,199,638
Equities (including convertibles)	6,243,525	5,206,578
	8,119,218	7,406,216
	=====	=====
Gain on disposal of investments:		
Proceeds	887,025	441,727
Book value	(846,695)	(421,411)
	40,330	20,316
	=====	=====

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2005

5. Investments (continued)

	Market Value
	£
Individual holdings exceeding 5% of the market value of the portfolio:	
8% Treasury Stock 2009	1,702,911
	=====

6. Debtors

	2005	2004
	£	£
Taxation recoverable	1,513	10,376
Accrued income	16,131	5,104
Other debtors	78,996	192
	<hr/>	<hr/>
	96,640	15,672
	=====	=====

7. Creditors: Amounts falling due within one year

	2005	2004
	£	(restated) £
Accruals	27,906	31,899
Grants to be paid		
- Biomedical Fellowships	191,665	246,818
- Carnegie Scholarships	87,125	97,821
	<hr/>	<hr/>
	306,696	376,538
	=====	=====

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

Grants		
- Biomedical Fellowships	160,062	162,000
- Carnegie Scholarships	67,400	67,776
	<hr/>	<hr/>
	227,462	229,776
	=====	=====

9. Unrestricted funds

	2005	2004
	£	(restated) £
At 31 December 2004 – as previously reported	7,600,152	7,270,955
Prior year adjustment (<i>see below</i>)	(574,415)	(657,950)
	<hr/>	<hr/>
Net movement in funds for year - as restated	7,025,737	6,613,005
	763,087	412,732
	<hr/>	<hr/>
At 31 December 2005	7,788,824	7,025,737
	=====	=====

The prior year adjustment relates to the accounting for grants in the year in which a commitment is made for the entire period of the Fellowship or Scholarship.

Independent Auditors' Report to the Governing Members of Caledonian Research Foundation

We have audited the financial statements of Caledonian Research Foundation for the year ended 31 December 2005 set out on pages 6 to 10. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the company's governing 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 company's governing 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 company and the company's governing members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As described in the Statement of Governing Members responsibilities, the company's Governing Members, who also act as trustees for the charitable activities of Caledonian Research Foundation, are responsible for preparing the Trustees' Annual Report and the Financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 if, in our opinion, the Trustees' Annual Report is not consistent with the financial statements, if 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 trustees' remuneration and transactions with the charity is not disclosed.

We read other information contained in the Trustees Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 charity's affairs as at 31 December 2005 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

CHIENE + TAIT

Chartered Accountants and Registered Auditors
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Edinburgh EH3 6NL
2 May, 2006

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Caledonian Research Foundation
39 Castle Street, Edinburgh EH2 3BH

Tel: **0131-225 1200**

Fax: **0131-225 4412**

e-mail: **crf@murraybeith.co.uk**

www.calres.co.uk

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