

annual report 2006



The Royal Highland
and Agricultural Society of Scotland



rhass

Report and Accounts for the year ended 30 November 2006

Contents

Chairman's Report	1
Chief Executive's Report	2
Trustees, Officers and Advisers	3
Norton Park - Scotland's National Showground	4-5
Report of the Trustees	6-7
Financial Statements	8-10
Notes to the Financial Statements	11-18
Trustees' Responsibilities	19
Report of the Auditors	20

Chairman's Report



On my election as Chairman of Directors in July 2006, I stated that the Society has a unique role to play in promoting a strong message about Scottish agriculture, its crucial position in the food and drink chain and rural life in general.

This was to be achieved through various avenues, not least our main event the Royal Highland Show, which increasingly attracts more of the urban audience, and through education, not only to children via the efforts of the Royal Highland Education Trust, but also to the adult population, many of whom still seem blissfully unaware about what goes on in the countryside or what's behind the food they buy.

As you will read in our Chief Executive's report, the 2006 Royal Highland Show broke all records – the most successful in terms of attendance since we moved to Ingliston with a central theme which encouraged consumers to source locally produced food.

That promotion was the very essence of what I believe will secure a sound future for the Scottish farming and food industry. Exports may be important to the overall economy, but surely if we can persuade home consumers to purchase more home produced food, the better it will be for primary producers and the downstream food industry.

During 2006, many thousands of schoolchildren gained an insight into farming, food and the countryside through farm visits, specific school projects on milk, meat and potatoes, and a trip to the Education Centre at the show.

This is impressively significant work by RHET in touching base with the younger generation but given my earlier views, we also need to get the message out to a broader base. The Royal Highland Show will continue to be the major platform for our efforts but I would like to see us doing more throughout the year.

Climate change may be the fashionable discussion topic, but there is another major change presenting a challenge to the Society, the possibility of a move from Ingliston, our home for almost fifty years.

We have been debating long and hard on this issue, which goes back to the Department of Transport's White Paper on The Future Of Air Transport, published in December 2003. The proposed expansion of Edinburgh Airport would encroach on our grounds at Ingliston and to protect our position, in conjunction with the Scottish Executive and Scottish Enterprise Edinburgh and Lothians, a feasibility study was commissioned to look into an alternative site.

The results of that study and plans for Norton Park – Scotland's National Showground are contained on pages 4 & 5. It has to be stressed this is not a "done deal" and we will be involved in some robust discussion and negotiation. Members can be assured, however, that whatever the outcome, it will be to the benefit of the Society.

Paradoxically, all the doubt and uncertainty over our position with BAA and any future location has raised the profile of the Society, not least in the political and business community. Those in positions of power are now very much more aware of our long and distinguished history and our current economic importance to Edinburgh, Lothians and Scotland.

Finally, we have not allowed the airport issue to divert or diminish our commitment to furthering the interests of Scottish agriculture and rural industry and I would like to thank my fellow directors, staff, members and various sponsors for their valued support in pursuing that objective.

Allan Murray
Chairman



Chief Executive's Report



It is very pleasing to report that the Society in 2006 enjoyed its best ever year since it was established in 1784...not only in financial performance but in reinforcing our position as a world class organisation with events and activities to match, something we can be proud of after celebrating 222 years.

For the first time, turnover from our various interests broke through the £5 million barrier and our operating surplus of more than £500,000 allowed us to make a special donation to the Ingliston Development Trust of £320,000.

The 2006 Royal Highland Show was blessed with four days of warm weather and we increased our attendance to 161,409, a record for Ingliston and the second highest attendance in the event's history, beaten only by the Dundee show of 1949. Our international visitor attendance also increased and there can be no doubt that the Royal Highland figures as a world class event, equal in standing to the great agricultural trade and state fairs of Europe, North America and Australia.

The livestock display at Ingliston is one of the best anywhere and seems to get better year on year. The Food Hall once again scored with visitors and it is gratifying to note that the extremely successful President's Initiative "Buy Local, Eat Local" has been adopted throughout the country to good effect.

The one downside is the amount of red tape and bureaucracy we have to cope with and we are constantly challenged by new regulations. For example, we have to apply for eleven various licences to enable the show to be held. Despite that, planning is well in hand for the 167th show and we look forward to welcoming members and other visitors.

Our commercial lets improved in 2006 together with current asset utilisation. This is a key part of the Society's growth strategy and risk analysis policy. It gives us a better base if, for instance, the Royal Highland Show was to be threatened with a major disease incident.

The Society contributed more than £120,000 to the Royal Highland Education Trust to enable it to develop its important work. The support of other trusts, companies, countryside developers and

volunteers is also vital in order for it to be successful with notable projects such as Milk Magic, Meaty Matters and Count and Grow kindly supported by the Milk Development Council, Quality Meat Scotland and Clydesdale Bank.

During the year, RHET increased its number of farm and school visits to 265 and 563 respectively. This is a tremendous expansion on 2005 and amounts to more than 22,000 schoolchildren having a "farm" experience.

The Society also continues to make awards to agriculture, aquaculture, environment and veterinary students and we have a strong linkage to the Royal (Dick) School of Veterinary Studies.

Highland Centre Ltd increased its letting days and performance and its contribution is part of the success of the Society. The use of the Royal Highland Centre throughout the year ensures that we uphold the standard of the showground despite the planning restrictions currently upon us.

Unfortunately, our dialogue with BAA did not move forward during 2006 with the Society awaiting the July publication of the master plan for Edinburgh Airport and they, in turn, the results of our feasibility study. The circumstances have changed somewhat and we may be able to accede to Government requirements for us to move, providing BAA pay the costs of our re-location. (see pages 4 & 5)

Finally, it has been most encouraging to see the growth in membership over the last year for both annual and life memberships and with around 14,000 members – many of whom have been wearing their 222 badges with pride - we are a strong and influential organisation.

Once again, I would like to express my thanks to our members, directors, staff, volunteers, sponsors and visitors for their continuing support. 2007 is already presenting a number of challenges as we anticipate a new beginning with negotiations and planning to enable a new location at Norton Park to be a reality by 2013.

Ray Jones
Chief Executive



Trustees, Officers and Advisers

The Directors of the Royal Highland and Agricultural Society of Scotland are the Charity Trustees of the Royal Highland and Agricultural Society of Scotland.

Listed below are those Trustees who are currently in office.

Mr I J Galloway CBE ARAGS President	Mr J S Cruickshank OBE FRAGS	Mr J Mackie
Mr R Armstrong Vice President	Mr J M Cullens	Mr A R H MacMillan
Mr R Graham Vice President	Mr W J Davidson	Mr R J Maitland
Mr J Marshall OBE Vice President	Mr T G Dun	Mr K Matheson
Mrs S F Snowie Vice President	Mr R W Duncan	Mr J D McKerrrell
Mr W T Arnott	Mr J Dykes FRAGS	Mr J M McKerrow
Mr G T G Baird FRAGS	Mr A D Forbes	Mr J D R McLaren
Mr A K Brooke FRAGS	Mr R Forrest ARAGS	Mr J L Morison
Mr A R Campbell CBE JP DL ARAGS	Mr J D Fowlie ARAGS	Mr J Muir
Mr W J Crawford	Mr H M Fraser	Mr A J Murray Chairman of Directors
	Mr J W Gammie ARAGS	Mr J N Mustard
	Mr W L Gill ARAGS	Mr N D Paton
	Mr N M Godsman ARAGS	Mr A S Reid
	Mrs H S Goldie	Mr W Sanderson
	Mr J W Gordon JP	Mr G Scott
	Mr W G Gray	Mr W J Service
	Mr H Guthrie	Mr I Stark
	Mr J Hamilton	Mr J A C Stewart
	Mr W D Hamilton	Mr J H Stewart
	Mr A M Howie	Mr A K Sutherland
	Mrs J K Jack	Mr J F Warnock ARAGS
	Mr A Kirkpatrick	Mr J R Watt
	Mrs A Logan BVMS MRCVS	Mr J J Wight
	Mr E MacGillivray	Mr J Young

The following Honorary Trustees were in office at the end of the financial year

Mr HR Graham - Honorary Commercial Director
Reverend G McIntyre - Chaplain

The following Trustees also served during the year, and retired as of 27 July 2006:

The Right Hon the Earl of Lindsay - President, Mr P Alexander ARAGS - Vice President, Mr R W Balfour DL - Vice President, Mr H D Leggat MBE ARAGS FIA (Scot) - Vice President, Mr J R Taylor - Vice President, Mr J A Cargill, Mr H S McGregor, Mr C S McKerlie, Mr J Mitchell, Mr R L Montgomerie, Mr N D W Murray, Mr A J Neill, Mrs H M M Russell.

Officers (The Management Team)

Chief Executive	RJ Jones
Society Secretary	Ms AJ Thomson
Show Manager	DB Dunsmuir
Commercial Manager	S Brown
Estates Manager	SM Egan
Human Resources Manager	Mrs CM Jones
Royal Highland Centre Manager	GE Knight

The Royal Highland and Agricultural Society of Scotland

Royal Highland Centre, Ingliston,
Edinburgh EH28 8NF

Email: info@rhass.org.uk Website: www.rhass.org.uk

Telephone: 0131 335 6200

Advisers

Bankers

The Royal Bank of Scotland
30 Old Liston Road, Newbridge
Edinburgh EH28 8SS

Auditors

Ernst & Young LLP
Ten George Street, Edinburgh EH2 2DZ

Solicitors

Tods Murray LLP, Edinburgh Quay
133 Fountainbridge, Edinburgh EH3 9AG

Actuary

Jardine Lloyd Thompson
Bond House, The Bourse, Boar Lane
Leeds LS1 5EN

Insurance Brokers

AON Ltd
40 Torphichen Street, Edinburgh EH3 8JB

Surveyors

Montagu Evans
Exchange Tower, 19 Canning Street,
Edinburgh EH3 8EG

Public Relations Services

O'Leary RMPR
Dunfermline Business Centre
Izatt Avenue, Dunfermline KY11 3BZ

Public Relations Consultants

Fleishman-Hilliard Group Ltd
22 Calton Road, Edinburgh EH8 8DP



Norton Park

Scotland's National Showground

During 2006, the Society has been working with the Scottish Executive, Scottish Enterprise Edinburgh and Lothian and City of Edinburgh Council to develop the proposed new site as outlined in last year's Annual Report.

This has led to a Feasibility Study to understand how the new site would work, what it would entail, how it would blend into the landscape and what the costs would be.

Concurrent with this was the Rural West of Edinburgh Local Plan (RWELP) published in June 2006 and the Scottish Executive West Edinburgh Planning Framework (WEPF). The draft WEPF was published in November 2006. This identified a section of

ground between Ratho Station and the RBS world headquarters at Gogarburn south of the A8 and north of the M8.

Care has been taken to accommodate the new Edinburgh Airport Rail Link (EARL), the Glasgow-Edinburgh rail line and the many tenants we currently have on site and our proposed new neighbours.

The increasing amount of traffic in the west of Edinburgh area and the expanding airport have all been taken into consideration.

Once the current issues have been ironed out, we should be working more closely with the airport to promote the effectiveness



- 1 - Central Hall
- 2 - Livestock Facility - Sheep, Goats and Pigs
- 3 - Highland Hall
- 4 - MacRobert Pavilion
- 5 - MacRobert Theatre
- 6 - Edinburgh Arena
- 7 - RHASS Headquarters
- 8 - Royal Highland Education Trust

- JL - Judging Lawns
- PC - Public Toilets
- CD - Commentary Box & Clock
- TG - Temporary Grandstands

of visiting our ground by air and associated rail/tram links. This will enable us to market our joint operations.

The Society realises that to stay on its current site (Royal Highland Centre) is not a realistic option given the pressures from Government and the airport, but does clearly contend that a move is possible provided that all costs, including related costs, are totally funded by BAA.

The Feasibility Study addresses the need to have a new venue which can increase its value of business by a good layout and accessibility, incorporating efficiency in operation, ecological and environmental best practice.

In devising the layout plan we have also had advice on world class layouts and design from Bullock Smith & Partners from the USA.

Further work has yet to happen on the design as City of Edinburgh Council are working on an urban design format. However, initial costings based on a government requirement of + or - 25% show a figure of around £300 million based on first quarter of 2007 pricing. This will obviously move in an upward direction before completion by the target date of March 2013.

The artist's impression below shows the layout of Norton Park and the key printed above indicates the main structures.



Report of the Trustees

for the year ended 30th November 2006

The Trustees of The Royal Highland and Agricultural Society of Scotland present their annual report for the year ended 30 November 2006 in terms of Charities legislation in Scotland, together with the audited Annual Report and Financial Statements for the year, and confirm the latter comply with the requirements of Scottish legislation, its Royal Charter and the Charities SORP 2005.

Reference and Administrative Information

The Society, founded in 1784, is registered with the Office of the Scottish Charity Regulator (OSCR) under Scottish Charity Number SC4561. The Trustees and Officers are listed on Page 3 as is the Society's principal address. Particulars of the Society's professional advisers are given on Page 3.

Structure, Governance and Management

Governing Document

The Royal Highland and Agricultural Society of Scotland is a society constituted by Royal Charter dating from 1784, last amended in 1992. The Royal Charter is supplemented by bye-laws, last amended in 1996.

Governing Bodies

The Directors are the Trustees of the Society and are elected by the Society's membership, as are the President and Vice-Presidents at the Annual General Meeting in April of members. As a body, the Directors represent a membership of around 14,000. The membership is represented by eight areas of Scotland. The qualifications required for election and the rules governing the procedures for both members and Directors are contained in the Society's Royal Charter and Bye-Laws.

The Directors are the Charity Trustees and all 59 Directors of the Board are equally responsible regardless of title.

Recruitment and Training of Directors

Vacancies on the Board are advertised annually to Members. Procedures for election are stated within the Royal Charter and Bye-Laws.

Once elected in line with the constitution and OSCR's requirements, Directors are provided with a comprehensive induction pack which includes the Royal Charter and Bye-Laws, up-to-date information about the activities of the Society and an outline of the role, responsibilities and liabilities of Directors, and the remit of any sub-committees.

Prior to commencing directorship term in July, new and existing directors are invited to an induction presentation at the Society's headquarters which reinforces the information provided by the induction pack.

Annual Reviews are distributed to retiring Directors to gain individual feedback on the effectiveness of the Board.

Organisational Management

The Society's Directors as the Charity Trustees of the Charity, are legally responsible for the overall management and control of the Society and meet at least eight times a year.

The work of implementing most of their policies is carried out by the members of the Standing Committees, who meet four times a year. The Executive Committee is made up of the Chairman, Immediate Past Chairman/Chairman Designate, Honorary Secretary, Honorary Treasurer and Chief Executive. The Executive Committee may appoint an external specialist adviser on an annual basis.

There are three other principal committees, these are:

The Finance Committee, chaired by Mr Wm Sanderson 2006/07

The Public Relations and Education Committee, chaired by Mr WJ Crawford 2006/07

The Development and General Purposes Committee, chaired by Mr JJ Wight 2006/07.

The Chairman of each of these standing Committees makes a report to the Board of Directors.

The day to day running of the Society is delegated to the Chief Executive and his management team some of whom attend the meetings of the Standing Committees and Board.

Group Structure and Relationships

The Society has a wholly owned subsidiary Highland Centre Ltd, the activities of this company are consolidated with those of the Society.

Risk Management

The Board of Directors is responsible for the management of the risks faced by the Society.

Detailed considerations of risk are delegated to the relative committees assisted by the Chief Executive and his management team. Risks are identified, assessed and controls are established throughout the year.

The key risk controls used by the Society include:

Formal agendas and minutes for all Committee and Board activity;

Detailed terms of reference for all Committees;

Comprehensive strategic planning, budgeting and management accounting;

Report of the Trustees

for the year ended 30th November 2006

Established organisational structure and lines of reporting;

Clear authorisation and approval levels;

Vetting procedures required by law for the protection of the vulnerable.

Through the risk management processes established for the Society, the Board of Directors are satisfied that the major risks identified have been adequately mitigated where necessary. It is recognised that systems can only provide reasonable but not absolute assurance that major risks have been adequately managed.

Reserves Policy

The Society has no free reserves as its reserves are linked with the Society's fixed assets.

Objects, Aims and Activities

The Society's Royal Charter and Bye-Laws define its name, objects, powers, constitution and system of election of Directors, in addition to defining their duties and those of the Society's Staff. Its objects are defined in Clause 2 of the Royal Charter as follows:

The objects of the Society shall be to promote agriculture, allied and rural industries throughout Scotland, whether in the Highlands or in other parts of the country, to encourage good husbandry, rural employment, training and craftsmanship, forestry and long service in such activities, and with a view thereto (but without prejudice to the generality of the foregoing) to assist, financially or otherwise, and to confer and co-operate with Agricultural, Rural, Horticultural, Forestry, Scientific, Educational, Charitable, Cultural, and other Societies or Institutes, both at home and abroad, and to co-operate with Government Departments and other organisations concerned with or interested in agriculture and rural affairs; to grant premiums and guarantees for agricultural improvements, to hold shows of livestock, implements and produce Livestock and Agricultural Sales, Trade Fairs, Exhibitions, Conferences or other Events of a Sporting or Social character with or without the co-operation of other interested bodies, to encourage the proper education of agriculturists by their direction to a suitable course of study, or otherwise, and by accrediting the successful completion of such course by the award of Diplomas, Certificates or otherwise, and that either alone or jointly with any other body, whether corporate or not; and to encourage knowledge of the agricultural industry and rural affairs amongst the general public.

Within these objects, the Society also maintains its heritage endowment, the 280 acres of land on which it is sited, Ingliston House (a Grade 1 listed building), and to preserve for posterity various works of art, artefacts, books and historical documents relating to the Society's history, as well as an extensive collection of trophies which are awarded each year at the Society's premier event – the Royal Highland Show.

Achievement and Performance

This is covered in the Chief Executive's Report

Financial Review

This is covered in the Chief Executive's Report

Future Plans

This is covered in the Chief Executive's Report

Mr AJ Murray
Chairman

Consolidated Income and Expenditure Account for the year ended 30 November 2006

INCOME	2006	2005
General	£	£
Subscriptions	284,132	230,665
Rents Received	700,736	665,014
Ingliston Development Fund	453	127,353
Interest and Dividend received	30,126	25,364
Other Revenue	35,628	36,743
	<u>1,051,075</u>	<u>1,085,139</u>
 Show & Related Activities		
Livestock and Trade Rentals	1,475,151	1,396,119
Admissions	1,097,427	1,017,991
Advertising and Sponsorship	410,998	319,154
Other	30,702	26,353
	<u>3,014,278</u>	<u>2,759,617</u>
 Royal Highland Centre		
Exhibition Halls and Other Lets	744,746	711,600
Contracted and Other Services	292,803	242,280
	<u>1,037,549</u>	<u>953,880</u>
 Total Income	<u>5,102,902</u>	<u>4,798,636</u>
 EXPENDITURE		
Show & Related Activities		
Showyard Preparation (inc Hire of Equipment)	671,935	586,746
Show Staff and Officials	288,279	255,502
Music and Special Events	63,742	77,568
Police and Ambulance Services	53,078	57,458
Advertising & Promotion	174,899	154,181
Miscellaneous	33,673	24,949
	<u>1,285,606</u>	<u>1,156,404</u>
 Administration		
Salaries and Related Costs	1,168,847	1,088,439
Directors and Officials Expenses	129,450	105,632
Motor Vehicles on Contract Hire	28,192	29,947
Letting & Contracted Services	141,771	100,926
Professional Fees	111,690	126,106
External Costs related to White Paper	91,594	117,230
Rates	91,556	92,227
Insurance	107,190	101,265
Estate Maintenance	261,589	229,437
Utilities	128,775	130,884
Advertising and Publicity	103,649	119,641
Printing, Stationery and Communications	77,391	73,067
Financial charges	139,503	171,000
Prizes and Awards	322,373	283,976
Depreciation	332,930	304,356
Gain on Sale	(8,038)	(2,200)
Miscellaneous	52,147	76,288
	<u>3,280,609</u>	<u>3,148,221</u>
 Total Expenditure	<u>4,566,215</u>	<u>4,304,625</u>
Operating Surplus	<u>536,687</u>	<u>494,011</u>
 Special Donation to Ingliston Development Trust	(320,000)	(280,000)
Surplus for the Year	<u>216,687</u>	<u>214,011</u>
 Opening Balances brought forward at 1 December 2005	5,418,823	5,110,608
 Surplus for the Year	216,687	214,011
Special Restricted Funds	708	348
Revaluation of Investments	4,370	4,856
Pension Scheme Actuarial Gain	30,000	89,000
 Closing Balances carried forward at 30 November 2006	<u>5,670,588</u>	<u>5,418,823</u>

The notes on pages 11 to 18 form part of these Financial Statements.

Charity and Consolidated Balance Sheet as at 30 November 2006

	Notes	Group 2006 £	Charity 2006 £	Group 2005 £	Charity 2005 £
Fixed Assets					
Tangible Assets	2	8,809,954	8,774,180	8,815,405	8,778,684
Investments	3	258,556	258,656	253,586	253,686
		<u>9,068,510</u>	<u>9,032,836</u>	<u>9,068,991</u>	<u>9,032,370</u>
Current Assets					
Stock		21,940	21,940	13,379	13,379
Debtors and Prepayments	4	382,120	275,832	287,919	241,989
Bank Balance		78,709	-	85,949	-
Savings Account - Consolidated Prize Fund		309	309	164	164
Savings Account - Sir Wm Young Memorial Fund		355	355	392	392
Cash		1,100	600	700	700
		<u>484,533</u>	<u>299,036</u>	<u>388,503</u>	<u>256,624</u>
Current Liabilities					
Creditors and Accrued Charges	5	970,901	880,067	837,866	786,960
Deposits		107,674	-	106,538	200
Bank Overdraft		1,195,513	1,195,513	1,367,330	1,367,330
Bank Loan	6	79,590	79,590	88,037	88,037
HP Creditor		16,353	6,825	11,170	7,210
		<u>2,370,031</u>	<u>2,161,995</u>	<u>2,410,941</u>	<u>2,249,737</u>
Net Current Liabilities		<u>(1,885,498)</u>	<u>(1,862,959)</u>	<u>(2,022,438)</u>	<u>(1,993,113)</u>
Long Term Liabilities					
Bank Loans	6	1,211,007	1,211,007	1,339,033	1,339,033
HP Creditor		24,667	7,877	14,447	917
		<u>1,235,674</u>	<u>1,218,884</u>	<u>1,353,480</u>	<u>1,339,950</u>
Provision for Liabilities and Charges					
Deferred Income (Scottish Brewers)	7	43,750	43,750	56,250	56,250
Total Net Assets before Pension Deficit		<u>5,903,588</u>	<u>5,907,243</u>	<u>5,636,823</u>	<u>5,643,057</u>
Pension Scheme Deficit	17	<u>233,000</u>	<u>233,000</u>	<u>218,000</u>	<u>218,000</u>
		<u>5,670,588</u>	<u>5,674,243</u>	<u>5,418,823</u>	<u>5,425,057</u>
Represented by:					
General (Unrestricted) Fund:					
Capital Account	8	2,397,526	2,401,181	2,153,446	2,159,680
Ingliston Development Fund	9	2,008,072	2,008,072	2,007,619	2,007,619
General Reserve	10	1,217,464	1,217,464	1,217,464	1,217,464
		<u>5,623,062</u>	<u>5,626,717</u>	<u>5,378,529</u>	<u>5,384,763</u>
Special (Restricted) Funds:					
	11	47,526	47,526	40,294	40,294
		<u>5,670,588</u>	<u>5,674,243</u>	<u>5,418,823</u>	<u>5,425,057</u>

APPROVED ON BEHALF OF THE DIRECTORS:

Mr AJ Murray
Chairman

Mr Wm Sanderson
Honorary Treasurer

12 April 2007

The notes on pages 11 to 18 form part of these Financial Statements.

Statement of Cash Flows for the year ended 30 November 2006

	Notes	2006 £	2005 £
Net Cash Inflow from Operating Activities	1	770,124	859,711
Returns on Investments and Servicing of Finance			
Interest and dividends received		30,126	25,364
Interest paid		(153,104)	(171,056)
Net Cash Outflow from Returns on Investments and Servicing of Finance		(122,978)	(145,692)
Investing Activities			
Payments to acquire tangible fixed assets		(336,932)	(404,740)
Sale of tangible assets		8,380	2,636
Net Cash Outflow from Investing Activities		(328,552)	(402,104)
Net Cash Inflow before Financing		318,594	311,915
Financing			
Receipt of funding for Ingliston Development Fund		453	127,353
Movement in Loans		(136,473)	(126,123)
HP payments		(17,597)	(14,106)
Net Cash Outflow from Financing		(153,617)	(12,876)
Increase in Cash and Cash Equivalents		164,977	299,039
Reconciliation of Net cash flow to movement in net debt			
Increase in Cash and Cash Equivalents		164,977	299,039
Loans repaid		136,473	126,123
Cash outflow to HP creditor		17,597	14,106
Change in net debt resulting from cash flows		319,047	439,268
Other non cash changes		(33,000)	(19,800)
Net debt at 1 December 2005		(2,733,368)	(3,152,836)
Net debt at 30 November 2006		(2,447,321)	(2,733,368)

Notes to Statement of Cash Flows

1 Reconciliation of Surplus for year to net cash inflow from operating activities

	2006 £	2005 £
Surplus for year	216,687	214,011
Pension fund charge less contributions made	45,000	39,000
Depreciation	332,930	304,356
Gain on sales and disposals of fixed assets	(8,038)	(2,200)
Interest and dividend receivable	(30,126)	(25,364)
Loan Interest	149,748	165,900
Deferred sponsorship income released	(12,500)	(12,500)
(Increase)/Decrease in stock	(8,561)	7
(Increase)/Decrease in debtors and prepayments	(94,201)	42,674
Increase in creditors and accrued charges	179,638	261,180
Funding for Ingliston Development Fund	(453)	(127,353)
	770,124	859,711

2 Analysis of Net Debt

	2005	Cash Flow	Non Cash Changes	2006
Bank Overdraft	(1,367,330)	171,817	-	(1,195,513)
Bank	85,949	(7,240)	-	78,709
Cash	700	400	-	1,100
Hire purchase	(25,617)	17,597	(33,000)	(41,020)
Debt due within one year	(88,037)	88,037	(79,590)	(79,590)
Debt due after one year	(1,339,033)	48,436	79,590	(1,211,007)
	(2,733,368)	319,047	(33,000)	(2,447,321)

Notes to the financial statements

1 Accounting Policies

The Financial Statements have been prepared under the historical cost convention as modified by the inclusion of investments at market value and follow the recommendations in the Statement of Recommended Practice: Accounting and Reporting by Charities issued in March 2005. The Financial Statements consolidate the Financial Statements of the charity and its wholly owned subsidiary, Highland Centre Limited.

a Subscriptions and Legacies

Subscriptions for Life by Instalments, Term and Annual Membership are taken as income wholly in the year of receipt. However, Fully Paid Life Memberships since 2005, are amortised over the five year period commencing from the year of receipt.

Legacies are taken as income to the Ingliston Development Fund wholly in the year of receipt.

b Grants, Awards and Prizes

Grants payable in cash are included in the heading of Prizes and Awards in the Income and Expenditure Account. Wherever possible such grants are accounted for on an accruals basis so that they appear in the Income and Expenditure Account for the year to which the award relates. Institutions awarded cash grants are identified in the notes to the Financial Statements. Where applicable cash grants awarded to individuals are shown in aggregate.

Grants given by way of free entry to or discounted rates on exhibitors' trade stand sites at the Royal Highland Show are netted off in the total of trade stand rental income.

Grants received in support of the Society's promotions are taken into income in the year to which the support relates. Grants received towards capital developments are set against the costs of the related fixed assets.

Prize money awarded during the Royal Highland Show is taken wholly in the year of payment.

c Investments

Details of investments together with cost and market values at the beginning and end of the financial year appear in the notes to the Financial Statements.

Income from investments relating to restricted funds is shown in the notes reconciling the movement of funds to the closing balance. Such investment income is not included in the Income and Expenditure Account. Income from the investment of free funds from the Society's operations and interest from loans issued appear as Interest Received in the Income and Expenditure Account.

d Fixed Assets

Depreciation is calculated to write off the cost of fixed assets in equal annual instalments over their estimated useful lives on the following basis:

Ingliston Showground	£1,000 per annum
Ingliston Show Site/Buildings & Infrastructure	15, 25, and 50 Years
Exhibition Halls	50 Years
Exhibition Halls - Fixtures and Fittings	5 years
Show Equipment	20 Years
Plant, Furniture, Paintings etc	5 Years
Office Equipment	3 and 4 Years
Motor Vehicles	5 Years

Operating lease rentals are charged to the Income and Expenditure Account on the basis of the initial deposits and periodic rentals paid in the course of the financial year.

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the income and expenditure account over the period of the lease and represents a constant proportion of the balance of the capital repayments outstanding.

e Stock

Stock is made up of Show and Society Supplies and is represented at lower of cost and net realisable value.

f Pension Schemes

The Society contributes to a Defined Benefits Scheme at rates set by the scheme actuary. This scheme was closed to new entrants on 31 March 2004. The Society also contributes to a Stakeholder Pension Scheme for those who wish to join it.

The Defined Benefits Scheme is being accounted for under FRS17 with the annually calculated notional surplus or deficit on the funding of the scheme shown in the accounts as a designated fund entitled "Pensions Reserve", which is deducted from unrestricted funds in the Balance Sheet.

It is intended that the level of annual contributions to the scheme, which is currently being finalised by the actuary, will be adjusted following the next detailed actuarial valuation due on 1 December 2005. The Directors note that the calculated notional surplus or deficit calculated under FRS17 can vary greatly from year to year, depending on the assumptions made on the valuation date but with normally little or no effect on short term cashflows.

2 Group Fixed Assets

	Ingliston Showground £	Ingliston Showsite £	Property under Construction £	Exhibition Hall £	Show Equipment £	Plant £	Office Equipment £	Furniture, Paintings etc £	Motor Vehicles £	Total £
Cost										
As at 1 December 2005	1,686,757	3,423,510	99,483	5,206,734	276,548	266,793	197,770	72,215	39,786	11,269,596
Additions	8,483	111,296	134,457	-	17,591	23,724	9,973	5,797	16,500	327,821
Disposals	-	-	-	-	(209)	(27,179)	(304)	-	-	(27,692)
Transfer upon Completion	-	227,247	(227,247)	-	-	-	-	-	-	-
As at 30 November 2006	1,695,240	3,762,053	6,693	5,206,734	293,930	263,338	207,439	78,012	56,286	11,569,725
Depreciation										
As at 1 December 2005	46,000	1,116,638	-	826,559	43,216	197,495	153,325	62,090	8,868	2,454,191
Disposals	-	-	-	-	(21)	(27,177)	(152)	-	-	(27,350)
Charge for year	1,000	132,498	-	104,135	14,666	33,354	30,430	4,679	12,168	332,930
As at 30 November 2006	47,000	1,249,136	-	930,694	57,861	203,672	183,603	66,769	21,036	2,759,771
Net Book Value										
As at 30 November 2006	1,648,240	2,512,917	6,693	4,276,040	236,069	59,666	23,836	11,243	35,250	8,809,954
As at 1 December 2005	1,640,757	2,306,872	99,483	4,380,175	233,332	69,298	44,445	10,125	30,918	8,815,405

Charity Fixed Assets

	Ingliston Showground £	Ingliston Showsite £	Property under Construction £	Exhibition Hall £	Show Equipment £	Plant £	Office Equipment £	Furniture, Paintings etc £	Motor Vehicles £	Total £
Cost										
As at 1 December 2005	1,686,757	3,423,510	99,483	5,206,734	276,548	244,793	170,122	72,215	36,750	11,216,912
Additions	8,483	111,296	134,457	-	17,591	23,724	9,973	5,797	-	311,321
Disposals	-	-	-	-	(209)	(27,179)	-	-	-	(27,388)
Transfer upon Completion	-	227,247	(227,247)	-	-	-	-	-	-	-
As at 30 November 2006	1,695,240	3,762,053	6,693	5,206,734	293,930	241,338	180,095	78,012	36,750	11,500,845
Depreciation										
As at 1 December 2005	46,000	1,116,638	-	826,559	43,216	193,095	143,280	62,090	7,350	2,438,228
Disposals	-	-	-	-	(21)	(27,177)	-	-	-	(27,198)
Charge for year	1,000	132,498	-	104,135	14,666	28,954	22,353	4,679	7,350	315,635
As at 30 November 2006	47,000	1,249,136	-	930,694	57,861	194,872	165,633	66,769	14,700	2,726,665
Net Book Value										
As at 30 November 2006	1,648,240	2,512,917	6,693	4,276,040	236,069	46,466	14,462	11,243	22,050	8,774,180
As at 1 December 2005	1,640,757	2,306,872	99,483	4,380,175	233,332	51,698	26,842	10,125	29,400	8,778,684

The net book value of fixed assets includes an amount of £38,799 (2005: £36,715) in the group fixed assets in respect of plant held under finance leases and hire purchase contracts and £25,579 (2005: £19,115) in the charity fixed assets in respect of plant held under finance leases and hire purchase contracts. The net book value of fixed assets also includes an amount of £13,200 (2005: Nil) in the group fixed assets in respect of motor vehicles held under finance leases and hire purchasing contracts.

Total depreciation charged on these assets during the year amounted to £16,745 in the group income and expenditure account and £9,045 in the charity income and expenditure account.

3 Investments

	2006 £	2006 £	2005 £	2005 £
	Group	Charity	Group	Charity
Other Investments	214,311	214,411	214,311	214,411
Investments in Special Funds at Cost	25,371	25,371	24,771	24,771
Revaluation Reserve on Investments in Special Funds	18,874	18,874	14,504	14,504
	<u>258,556</u>	<u>258,656</u>	<u>253,586</u>	<u>253,686</u>

Highland Centre Ltd

On the 22nd March 2004 the Society invested £100 in Highland Centre Limited.

Highland Centre Limited is a wholly owned subsidiary of the Society with an authorised Share Capital of £1,000,000.

As at 30 November 2006 Gross Assets amounted to £221,271 (2005: £189,271) and Gross Liabilities amounted to £224,826 (2005: £195,405). Turnover for the year was £1,040,001 (2005: £953,881) with a total expenditure of £1,037,422 (2005: £960,115).

Aggregate Capital and Reserves: As at 30 November 2006 these stood at - £3,555 (2005: -£6,134) and the profit for the year was £2,579 (2005: -£6,234). This profit for the year is stated after paying a Facility Fee to the Society of £575,000 (2005: £550,000)

Other Investments

The Society holds 3/7ths of the issued share capital of Scottish Agricultural & Rural Development Centre Ltd (SARDC). This investment is carried at a cost of £214,286. The value of the investment is considered to be at least equivalent to cost. The net assets of SARDC at 28 February 2006 were £1,177,745 and the Profit for the year was £84,262 (2005: £33,489)

A dividend of £19,286 was received from SARDC during the year. (2005 : £19,286)

The Society's shareholding in Tay Forth Machinery Ring Ltd is 25 shares of £1 each.

3 Investments (cont'd)

Special Funds:

	Units	Cost £	Market Value 30 Nov 2006 £	Market Value 30 Nov 2005 £
AJ Lilburn Forestry Trophy Fund				
<i>M&G Charifund Income Units</i> [See Note 11]	87	500	1,354	1,171
Consolidated Prize Fund				
<i>M&G Charifund Income Units</i> [See Note 11]	1,244	7,432	19,367	16,749
<i>5.0% Treasury Stock 2012</i> [See Note 11]	£5,100	5,499	5,220	5,368
Sir William Young Memorial Fund				
<i>National Savings Bond</i> [See Note 11]		5,000	5,000	5,000
Trophy Maintenance Fund				
<i>M&G Charifund Income Units</i> [See Note 11]	856	6,940	13,304	10,987
		<u>25,371</u>	<u>44,245</u>	<u>39,275</u>

4 Debtors and Prepayments

	2006 £ Group	2006 £ Charity	2005 £ Group	2005 £ Charity
Trade Debtors	247,967	169,051	166,570	125,911
Prepayments	118,080	90,708	121,349	116,078
Other Debtors	16,073	16,073	-	-
	<u>382,120</u>	<u>275,832</u>	<u>287,919</u>	<u>241,989</u>

5 Creditors and Accrued Charges

	2006 £ Group	2006 £ Charity	2005 £ Group	2005 £ Charity
Trade Creditors	449,186	435,454	164,651	151,660
Accruals	459,953	417,992	645,560	630,650
PAYE Creditor	22,924	22,924	22,541	22,541
VAT Creditor	38,838	3,697	5,114	(17,891)
	<u>970,901</u>	<u>880,067</u>	<u>837,866</u>	<u>786,960</u>

6 Bank Loans

	2006 £	2005 £
Loan 1	154,188	171,876
Loan 2	1,136,409	1,255,194
	<u>1,290,597</u>	<u>1,427,070</u>
Balance due within one year	79,590	88,037
	<u>1,211,007</u>	<u>1,339,033</u>

7 Deferred Income

- Scottish Brewers' Pub-site 20-Year Sponsorship Agreement

	2006 £	2005 £
As at 1 December 2005	56,250	68,750
Released to Income and Expenditure	(12,500)	(12,500)
As at 30 November 2006 (20-year agreement ends 30 Nov 2010)	<u>43,750</u>	<u>56,250</u>

8 General (Unrestricted) Fund: Capital Account

This represents the net surpluses and deficits accumulated on the operations of the Society.

	2006 £ Group	2006 £ Charity	2005 £ Group	2005 £ Charity
As at 1 December 2005	<u>2,153,446</u>	<u>2,159,680</u>	<u>1,972,788</u>	<u>1,972,788</u>
Surplus for year	216,687	214,108	214,011	220,245
Actuarial Gains	30,000	30,000	89,000	89,000
Less: Funds attributable to Ingliston Development Fund	(453)	(453)	(127,353)	(127,353)
Less: Funds attributed to Paintings Restoration Fund	(2,154)	(2,154)	5,000	5,000
	<u>244,080</u>	<u>241,501</u>	<u>180,658</u>	<u>186,892</u>
As at 30 November 2006	<u>2,397,526</u>	<u>2,401,181</u>	<u>2,153,446</u>	<u>2,159,680</u>

9 General Fund: Ingliston Development Fund

Established in 1958 for the development of a permanent site at Ingliston this Fund represents contributions received for the original and on-going developments at the Royal Highland Centre, plus monies raised from fundraising activities, covenanted and other donations to the Society and legacies received.

	2006	2005
	£	£
As at 1 December 2005	2,007,619	1,880,266
Funds received from covenanted and other donations during the year:	453	353
Donation from MacRobert Trust	-	100,000
Donation from Ingliston Development Trust	-	27,000
Funds received during the year per the Income and Expenditure Account:	453	127,353
As at 30 November 2006	2,008,072	2,007,619

10 General (Unrestricted) Fund: Reserve

	2006	2005
	£	£
Balance as at 1 December 2005 and 30 November 2006	1,217,464	1,217,464

11 Special Restricted Funds

	2006	2005
	£	£
AJ Lilburn Forestry Trophy Fund	1,354	1,171
Sir William Young Memorial Fund	5,355	5,392
Consolidated Prize Fund	24,896	22,281
Trophy Maintenance Fund	13,304	10,987
Paintings Restoration Fund	2,617	463
Total	47,526	40,294

AJ Lilburn Forestry Trophy Fund

The AJ Lilburn Forestry Trophy Fund is a restricted fund for the maintenance of the Alistair J Lilburn of Coull Trophy for farm woodlands of more than three hectares. Income from this fund is returned to Scotland's Finest Woodlands Awards under investment income and is disbursed in the management of trophies expenditure of that Scheme.

Sir William Young Memorial Fund

The Sir William Young Memorial Fund is a restricted fund for the annual award of a cash sum to the person considered by the Society's Directors to have made an outstanding contribution to livestock breeding in Scotland.

	2006	2005
	£	£
National Savings Bond (1 March 1984) [See Note 3]	5,000	5,000
Gold Deposit Account with the Royal Bank of Scotland	355	392
	5,355	5,392

Consolidated Prize Fund

The Consolidated Prize Fund was created on 12 August 1987 by realising the individual investments held by the Prize Fund and amalgamating them into government stock and Charifund holdings. The investment income and awards are distributed according to the ratio of each individual prize funds' contribution to the total funds applied to the new investments, thus retaining the restricted nature of the individual prize funds. Awards are distributed annually in July and represent for this financial year the receipts for the period 1 July 2005 to 30 June 2006. Receipts from 30 June to 30 November 2006 are carried forward for distribution in the following year.

	2006	2005
	£	£
M&G Charifund Income Units [See Note 3]	19,367	16,749
5.0% Treasury Stock 2012 [See Note 3]	5,220	5,368
Savings Account (dividends c/f to next distribution)	309	164
	24,896	22,281

Trophy Maintenance Fund

Since 1989 donors of new trophies have been required to supply a cash sum to purchase M&G Charifund Income Units to provide for Trophy Maintenance Costs.

	2006	2005
	£	£
M&G Charifund Income Units [See Note 3]	13,304	10,987

11 Special Restricted Funds (cont'd)

Paintings Restoration Fund

This fund was set up in 2003, where monies obtained from the sale of paintings and other ephemera, would be held in order to assist in the refurbishment of remaining artefacts.

	2006 £	2005 £
Balance at beginning of Year	463	5,463
Realised from Sale of Paintings	2,379	-
Refurbishment Costs	(225)	(5,000)
Total	<u>2,617</u>	<u>463</u>

12 Grants Paid

Cash grants were paid to the following bodies during the year:

	2006 £	2005 £
Rural Health Project	-	11,685
Moredun Foundation	1,000	1,000
Royal Highland Education Trust	3,850	3,850
Royal Scottish Agricultural Benevolent Institution	8,000	8,000
Buy Local Eat Local Initiative	14,000	-
Royal Highland Education Trust	120,672	93,605
Queen Mother Memorial Fund	-	2,000
Scottish Sheep Shearing	-	2,500
Scottish National Fat Stock Club	5,000	5,000
Chairmans Award	1,000	1,000
Others - Miscellaneous	-	1,369
	<u>153,522</u>	<u>130,009</u>

Expenditure on certificates and medals for long service, skills and academic achievement was as follows:

	2006 £	2005 £
Long Service Certificates and Ploughing Medals	5,646	5,130
University Medals	1,223	1,450
	<u>6,869</u>	<u>6,580</u>

13 Expenses Reimbursed

The aggregate amount of expenses reimbursed to Directors was:

	2006 £	2005 £
Directors' expense claims for attending internal and external meetings	31,093	25,186
Directors' expense claims for attending the Royal Highland Show	18,562	20,929

14 Staff Costs

	2006 £	2005 £
Wages & Salaries	916,377	876,971
Social Security Costs	79,228	73,967
Other Pension Costs	212,495	176,845
	<u>1,208,100</u>	<u>1,127,783</u>

The monthly average number of employees during the year was as follows:

	2006 No.	2005 No.
Permanent	33	33
Temporary	6	4

The number of employees where salaries (including benefits in kind) were above £60,000 for the year were:

	2006 No.	2005 No.
Between £120,000 - £129,999	1	-
Between £110,000- £119,999	-	1

The contribution towards Pension Costs for employees where salaries were above £60,000 for the year ended 30 November 2006 was £18,136 (2005: £17,438)

15 Auditors' Remuneration	2006	2005
	£	£
The remuneration for audit services was:	12,000	12,000

16 Consolidated Statement of Financial Activities

Incoming Resources	Unrestricted Funds	Restricted Funds	2006 Total	2005 Total
Subscriptions	284,132		284,132	230,665
Donations		453	453	127,353
Activities for generating Funds	1,037,842	2,156	1,039,998	953,880
Activities to further the Charities Objectives				
- Show related activities	3,014,278		3,014,278	2,759,617
- Other Activities	764,041		764,041	727,121
Total Incoming Resources	5,100,293	2,609	5,102,902	4,798,636
Resources Expended				
Charitable Expenditure				
- Show Related Activities	2,681,849		2,681,849	2,221,362
- Other Activities	462,422		462,422	410,114
- Specific Purchases of Fixed Assets through Ingliston Development Fund		453	453	127,353
Costs of Activities in generating Funds	1,030,196		1,030,196	1,074,313
Governance Costs	391,748		391,748	598,836
Total Resources Expended	4,566,215	453	4,566,668	4,431,978
Net Incoming Resources	534,078	2,156	536,234	366,658
Inflow of Funds for Fixed Assets		453	453	127,353
Special Donation to Ingliston Development Trust	(320,000)		(320,000)	(280,000)
Total Net Incoming Surplus for Year	214,078	2,609	216,687	214,011
Incoming Funds 2006		708	708	348
Unrealised Gains on Investments		4,370	4,370	4,856
Pension Scheme actuarial gains	30,000		30,000	89,000
Total Funds at 1 December 2005	5,378,984	39,839	5,418,823	5,110,608
Total Funds at 30 November 2006	5,623,062	47,526	5,670,588	5,418,823

17 Pension Scheme

The Society runs a Defined Benefits Scheme for its employees. The Scheme was closed to new entrants on the 31 March 2004. The charge against which employer contributions paid over to the Scheme Trustees in the year amounted to £142,000 (2005:£142,000) together with the actuarial gains and losses on the scheme for the year is recognised in the Consolidated Income and Expenditure Account and in the Statement of Financial Activities in accordance with FRS17. As the scheme is closed to new entrants, the current service costs will rise as the active members approach retirement.

For staff not in this Defined Benefits Scheme the Society operates a Stakeholder Pension Scheme. Staff members of the Scheme contribute 6% of Pensionable Salary with the Society contributing a further 10%. Employer contributions totalling £15,380 were paid in the year (2005: £5,406.) This is a defined contribution Scheme with Standard Life.

The assets of the Defined Benefits Scheme are held separately from those of the Society and its subsidiary. This scheme is funded by contributions by the employees and the Society in accordance with the recommendations of independent qualified actuaries, on the basis of triennial valuations. The most recent of these valuations was made on 1 December 2002 and conducted using the revised Actuarial assumptions of the Pensions Act 1995. This legislation requires Trustees to achieve a defined Minimum Funding Requirement (MFR) and to maintain contributions and investment returns at a level that ensures the scheme's liabilities are matched by its assets. The MFR valuation on 1 December 2002, indicated that the assets, the market value of which was then £1,140,000 represented 114% of its liabilities.

17 Pension Scheme (cont'd)

Assets

The expected rates of return on the Scheme's main asset classes as at each year-end, and the market values of those asset classes, were:

	2006		2005		2004	
	%	£	%	£	%	£
Equities	7.7	2,079,000	7.6	1,838,000	7.5	1,372,000
Bonds	5.0	244,000	5.0	173,000	5.3	177,000
Cash	5.0	106,000	4.5	79,000	4.75	71,000

Assumptions

The assets of the scheme have been included at market value and the liabilities have been calculated using the following principal actuarial assumptions :

	2006	2005	2004
Rate of increase in salaries	4.6%	4.4%	4.3%
Pension increases	2.9%	2.8%	2.7%
Rate of discount	5.0%	5.0%	5.3%
Inflation	3.1%	2.9%	2.8%
Revaluation of deferred pension	3.1%	2.9%	2.8%

Balance Sheet

The liabilities are determined using the projected unit method as distinct from the aggregate method used in the triennial valuation. Under the projected unit method, the current service costs will increase as the members of the scheme approach retirement. On this basis, the calculated notional funding position in respect of the Scheme at 30 November 2006, and at previous year-ends where available, was as follows:

	2006 £	2005 £	2004 £
Market value of assets	2,429,000	2,090,000	1,620,000
Value of accrued liabilities	<u>(2,662,000)</u>	<u>(2,308,000)</u>	<u>(1,888,000)</u>
Deficit	<u>(233,000)</u>	<u>(218,000)</u>	<u>(268,000)</u>

The charge to the Income and Expenditure account and the Statement of Financial Activities over the financial year comprised:

Operating charge

	2006 £	2005 £
Current service cost	222,000	197,000
Past service cost	Nil	Nil
	<u>222,000</u>	<u>197,000</u>

Other finance income

Expected return on pension scheme assets	(155,000)	(120,000)
Interest on pension scheme liabilities	<u>120,000</u>	<u>104,000</u>
Net finance income	<u>(35,000)</u>	<u>(16,000)</u>
Total charge in the I&E and SOFA	<u>187,000</u>	<u>181,000</u>

The actuarial gains and losses shown in the Statement of Financial Activities comprised:

	2006 £	2005 £
Difference between expected and actual return on assets	87,000	240,000
Percentage of scheme assets at year-end	4%	11%
Experience losses arising on the scheme liabilities	0	0
Percentage of present value of scheme liabilities at year-end	0%	0%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities	(57,000)	(151,000)
Percentage of present value of scheme liabilities at year-end	(2%)	(7%)
Total amount recognised in the SOFA	30,000	89,000
Percentage of present value of scheme liabilities at year end	1%	4%

Movement in balance sheet deficit figures during the year:

	2006 £	2005 £
Deficit in scheme at beginning of year	(218,000)	(268,000)
Movement in year :		
Current service cost	(222,000)	(197,000)
Past service cost	Nil	Nil
Net finance income	35,000	16,000
Contributions	142,000	142,000
Actuarial gain	30,000	89,000
Deficit in scheme at end of year	<u>(233,000)</u>	<u>(218,000)</u>

18 Connected Bodies

The Royal Highland Education Trust (Scottish Charity Number SC7492) is administered by the Society. No fee is charged for this service.

The Argyll Naval Fund (Scottish Charity Number SC 1989) is administered by the Society for a fee of £1,000 per annum.

The Roy Watherston Memorial Trust (Scottish Charity Number SC7609) is administered by the Society. No fee is charged for this service.

The Ingliston Development Trust was established on 16 November 1995 under Deed of Trust. It is a charitable trust (Scottish Charity Number SC24206) and has five trustees in common with RHASS.

The address of the Royal Highland Education Trust, the Argyll Naval Fund, the Roy Watherston Memorial Trust and Ingliston Development Trust is The Royal Highland Centre, Ingliston, Newbridge, Edinburgh EH28 8NF

Statement of Trustees' Responsibilities

in respect of the Financial Statements

Law applicable to charities in Scotland requires the trustees to prepare financial statements for each financial year which give a true and fair view of the Society's financial activities during the year and of its financial position at the end of the year. In preparing financial statements, giving a true and fair view, the trustees 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 and statements of recommended practice 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 Society will continue in operation.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and which enable them to ensure that the financial statements comply with the Law Reform (Miscellaneous Provisions) (Scotland) Act 1990 and Charities Accounts (Scotland) Regulations 1992. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Auditors

to the Trustees of The Royal Highland and Agricultural Society of Scotland

We have audited the Society's financial statements for the year ended 30 November 2006 which comprise the Consolidated Income and Expenditure Account, the Charity and Consolidated Balance Sheets, the Consolidated Statement of Cash Flows, the Consolidated Statement of Financial Activities and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the charity's trustees, as a body in accordance with paragraph 17 of the Charities Accounts (Scotland) Regulations 1992 and the Law Reform (Miscellaneous Provisions) (Scotland) Act 1990. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Trustees and Auditors

The responsibilities of the trustees for preparing the Annual Report and the financial statements in accordance with applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Law Reform (Miscellaneous Provisions) (Scotland) Act 1990 and the Charities Accounts (Scotland) Regulations 1992, and the Society's Royal Charters. 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, or if we have not received all the information and explanations we require for our audit.

We read the other information published with the financial statements and consider whether it is consistent with the audited financial statements. The other information comprises only The Chairman's Report, The Chief Executive's Report and the Report of the Trustees. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 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 30 November 2006 and of its incoming resources and application of resources including, in its income and expenditure account, the surplus for the year then ended and have been properly prepared in accordance with the Law Reform (Miscellaneous Provisions) (Scotland) Act 1990 and the Charities Accounts (Scotland) Regulations 1992 and the Society's Royal Charters.

Ernst & Young LLP
Registered Auditor, Edinburgh
12 April 2007