

# Trustees' Report and Financial Statements

For the year ended 31 March 2011

EXCELLENCE  
IN SCIENCE



THE ROYAL SOCIETY

# Trustees' Report and Financial Statements

For the year ended 31 March 2011

## Contents

Trustees' Report .....	<b>03</b>
Independent Auditors Report to the Council of the Royal Society .....	<b>12</b>
Audit Committee Report to the Council of the Royal Society on the Financial Statements .....	<b>13</b>
Statement of Financial Activities .....	<b>14</b>
Balance Sheet.....	<b>16</b>
Cash Flow Statement.....	<b>17</b>
Accounting Policies.....	<b>18</b>
Notes to the Financial Statements .....	<b>20</b>
Parliamentary Grant-in-Aid .....	<b>36</b>

### Auditors

PKF (UK) LLP  
Statutory auditor  
Farringdon Place  
20 Farringdon Road  
London  
EC1M 3AP

### Bankers

The Royal Bank of Scotland  
PO Box 62641  
2½ Devonshire Square  
London  
EC2P 2TA

### Investment Managers

Rathbone Investment Management Ltd  
159 New Bond Street  
London  
W1S 2UD

### Internal Auditors

Haysmacintyre  
Fairfax House  
15 Fulwood Place  
London  
WC1V 6AY

## Registered charity No 207043

### Trustees

The Trustees of the Society are the Members of its Council duly elected by its Fellows.

Ten of the 21 members of Council retire each year in line with its Royal Charter.

### President

Lord Rees of Ludlow OM Kt <sup>a</sup>  
Sir Paul Nurse <sup>b</sup>

### Treasurer and Vice-President

Sir Peter Williams CBE

### Physical Secretary and Vice-President

Professor John Pethica

### Biological Secretary and Vice-President

Dame Jean Thomas DBE

### Foreign Secretary and Vice-President

Professor Lorna Casselton

### Vice-Presidents

Sir Christopher Llewellyn Smith <sup>a</sup>  
Dame Nancy Rothwell DBE <sup>a</sup>

## Other members of the Council

Professor David Barford  
Sir Michael Berry <sup>a</sup>  
Professor Andrew Blake <sup>b</sup>  
Professor Richard Catlow  
Professor Anthony Cheetham <sup>b</sup>  
Professor Peter Donnelly <sup>b</sup>  
Dame Ann Dowling DBE <sup>a</sup>  
Professor Alastair Fitter <sup>a</sup>  
Dr Matthew Freeman  
Sir Richard Friend <sup>a</sup>  
Professor Brian Greenwood CBE  
Professor Andrew Hopper CBE  
Dame Louise Johnson DBE  
Professor John McWhirter <sup>b</sup>  
Dame Linda Partridge DBE <sup>b</sup>  
Professor John Pyle  
Professor Trevor Robbins <sup>b</sup>  
Mr Philip Ruffles CBE <sup>a</sup>  
Professor Wilson Sibbett CBE <sup>b</sup>  
Professor Bernard Silverman <sup>a</sup>  
Professor Veronica van Heyningen <sup>b</sup>  
Sir Alan Wilson <sup>b</sup>  
Professor Semir Zeki <sup>a</sup>

### Changes

*The above served as Members of Council throughout the year unless indicated as below.*

a Member until 30 November 2010

b Member since 30 November 2010

### Executive Secretary

Mr Stephen Cox CVO (until 28 February 2011)  
Dr Julie Maxton (from 1 March 2011)

### Registered Address

6–9 Carlton House Terrace  
London SW1Y 5AG

[royalsociety.org](http://royalsociety.org)

# Trustees' Report and Financial Statements

For the year ended 31 March 2011

The Royal Society of London for Improving Natural Knowledge, commonly known as the Royal Society, is an independent self-governing scientific academy founded in 1660 incorporated by Royal Charter and is a Registered Charity. This report and the financial statements attached are presented in the format required by the Statement of Recommended Practice - Accounting and Reporting by Charities (revised 2005).

## Structure, Governance and Management

### Organisation

The Royal Society is governed by a Council of 21 Fellows, who are also its Trustees for charity purposes, including five honorary officers: President, Treasurer, two Secretaries (one drawn from the physical sciences and mathematics, and the other from the life sciences) and a Foreign Secretary. The Royal Charter requires that 10 of the 21 members of Council retire each year.

The composition of Council comprises three categories of membership – the President and other officers who hold office for one year but are eligible for re-election annually and normally serve for five years, one retiring each year by rotation; one representative from each of 10 subject area classifications who hold office for one year but are eligible for re-election for a second year; and members elected to create a balanced and representative Council who also hold office for one year but are eligible for re-election for a second.

All members of Council begin and end their tenure on Council on Anniversary Day, which is 30 November – St. Andrew's Day. Suggestions for membership of Council are invited annually from the Fellowship. The determination of vacancies and nomination of candidates is decided by Council in accordance with its Standing Orders. Nominees are confirmed by ballot of the Fellowship. All members of Council are elected from the Fellowship.

Fellows elected to Council are amongst the world's leading scientists and are well-qualified to provide the Society with the necessary guidance and leadership to achieve its objectives. Council holds an annual seminar to ensure that its members have a wider understanding of their responsibilities and duties as Trustees of a charity. As many members of Council serve for only one year, and others for two, it is not usually possible to provide extended training.

Council is advised by a wide range of committees, the membership of which and their subcommittees is not always confined to Fellows. The Board, comprising the President, honorary officers and the Executive Director, makes recommendations to Council on policy management.

The Audit Committee reports direct to Council, reviews the audited financial statements and recommends their approval to Council, enquires into the Treasurer's stewardship of Society assets, reviews reports from the external and internal auditors, monitors management responses thereto and the implementation of agreed recommendations.



### The Royal Society

The Royal Society is a Fellowship of the world's most distinguished scientists, which promotes the advancement of science and its use for the benefit of humanity and the good of the planet. The Society has had a hand in some of the most innovative and life changing discoveries in scientific history. It supports the UK's brightest and best young scientists, engineers and technologists, influences science policy, debates scientific issues with the public and much more.

The Society has three roles: as the UK academy of science promoting the natural and applied sciences, as a learned society, and as a funding agency. Our strategic priorities ensure our contribution to shaping the future of science in the UK and beyond has a deep and enduring impact.

### Fellowship

The Royal Society is a Fellowship of outstanding scientists drawn from all areas of science, engineering and medicine. The Society's mission is best described as being to expand the frontiers of knowledge by championing the development and use of science, engineering and medicine for the benefit of humanity and the good of the planet. Fellows of the Society are elected for life and designate themselves through the use of the letters FRS after their names. Forty-four new Fellows and eight Foreign Members are elected annually through a peer review process that culminates in a vote by existing Fellows. The main criterion for election is scientific excellence. Fellows are called upon to perform a wide range of tasks for, and on behalf of, the Society. Many Fellows invest significant time and effort, voluntarily, to carry out these tasks in support of the cause of science and the Society.

### Volunteers

The Society is grateful for the valuable contribution to its work made voluntarily. This includes not only that made by its Fellows but also many non Fellows who give their time serving on committees supporting the Society and its activities, together with many others, too numerous to specify, who peer review grant applications and attend, participate in and contribute towards its activities.

### Risk assessment

The major risks to which the Society is exposed, as identified by Council, have been reviewed and systems have been established to mitigate those risks. As the governing body Council is ultimately responsible for ensuring that proper arrangements are in place for adequate and effective risk management and control. Council puts reliance upon the Audit Committee to assess the risk management and control and governance arrangements within the Society and to advise Council on the effectiveness of such arrangements. The Audit Committee has actively reviewed the major operational and business risks, both financial and non-financial, to which the Society is exposed.

### Connected charities and subsidiary undertakings

Council regards The Wolfson Research Professorship of the Royal Society to be a Connected Charity of the Royal Society. The charity's objectives and activities are common to, or in parallel with, those of the Society and they are administered by the Society. The principal contact address for the charity is the Society. The Wolfson Research Professorship of the Royal Society supports the Society's Professorship of that name. Note 25 to the accounts sets out the Society's relationship with its subsidiary undertakings.

### Management and staffing

A new Executive Director, Dr Julie Maxton, took up her post in March 2011. The Executive Director is responsible for the day-to-day management of the Society and its activities, supported by five Directors responsible for the Centre for History of Science, Development and Fundraising, Finance and Administration, Public Affairs, the Science Policy Centre and the senior management team. In March 2011 the Society had 139 staff in post.

The Business Plan and Budget, approved annually by Council, is implemented by eight activity sections, and six resource and support sections. The 350th anniversary programme was managed by an additional temporary section which ceased operation on 31 December 2010 and the Enterprise Fund is managed by a Chief Executive Officer.

### Statement of Trustees' Responsibilities

The Council members (who are the Trustees) of the Royal Society, are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Charity law requires Council to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and the Society and of the incoming resources and application of resources of the group for the year. In preparing those financial statements Council are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments 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 Royal Society will continue in operation.

Council is also responsible for keeping accounting records that disclose with reasonable accuracy the financial position of the Society and that enable them to ensure that the financial statements comply with the Charities Act 1993 and regulations made thereunder. It is also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



### Kavli Royal Society International Centre

The Kavli Royal Society International Centre opened in June 2010 and its first Principal, Sir Peter Knight, took up his post in October 2010. The Centre has enabled the Society to expand its scientific programme, with its relaxed residential atmosphere providing a setting to stimulate discussion and encourage peer networking. The scientific programme comprises: Theo Murphy international scientific meetings; satellite

meetings linked to the discussion meetings held at Carlton House Terrace; Research Fellows International Scientific Seminars and training activities. In 2010/11, 30 of these scientific meetings have been held, attracting over 900 participants.



Council is responsible for the maintenance and integrity of the financial information included on the Society's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

## Objectives and Activities

### Summary of aims and objectives

The Charter incorporates the Society in the name of the President, Council and Fellows and specifies purposes including: "extending the boundaries of the arts and sciences," conducting "philosophical studies, especially those that by actual experiments attempt either to shape out a new philosophy or to perfect the old" and ensuring that "such studies may shine conspicuously among the people". It declares that these purposes are to be carried out to "the advantage of the human race". The present day Society has three major roles as a learned society embracing the entire scientific landscape by supporting excellent individuals, organising meetings and producing publications; as the United Kingdom's (UK) Academy of Science providing independent scientific advice and representing UK science on the international stage; and as a funding agency providing support for scientists, engineers and technologists to pursue their work.

In April 2006, Council adopted a new strategic plan for the Society's work to cover the period 2006-2011. It identified five strategic priorities to:

- Invest in future scientific leaders and in innovation
- Influence policymaking with the best scientific advice
- Invigorate science and mathematics education
- Increase access to the best science internationally
- Inspire an interest in the joy, wonder and excitement of scientific discovery.

These form the basis of our work for the period 2006-2011, provide the focus for our fundraising activity, guide our submissions to government in the spending reviews and were the foundation for our plans for our 350th anniversary in 2010.

In setting the Society's objectives and future plans, Council has given consideration to the Charity Commission's guidance on public benefit.

### Achievements and Performance during the year

Major achievements and performance against the strategic priorities during the year are summarised below.

In reviewing the Society's performance during the year, Council has had regard to the guidance on public benefit issued by the Charity Commission.

#### Invest

Through its research fellowships and funding programmes, the Royal Society works in partnership with universities and industry, both within the UK and internationally, to invest in the future of UK science.

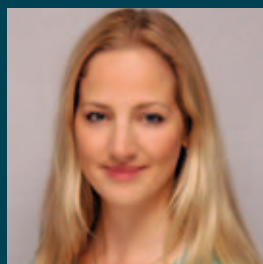
The Royal Society supports more than 800 UK based research fellowships. In 2010/11, 30 University Research, 10 Dorothy Hodgkin, 8 Industry, and 7 Leverhulme Trust Senior Research Fellowships were awarded. Additionally, the Research Grants scheme (supporting young scientists to change the direction of their research) awarded 161 grants. Royal Society discussion meetings are interdisciplinary international conferences on novel and innovative areas of science, engineering and technology. During 2010/11, over 2,700 participants attended 11 scientific discussion meetings held on a variety of topical science subjects including ageing, web science and ultra-precision engineering.

The Kavli Royal Society International Centre opened in June 2010. The Centre has enabled the Society to significantly expand its scientific programme and in 2010/11, 30 scientific meetings have been held, attracting over 900 participants. The Centre made an operational loss in 2010/11. This is not surprising for a new enterprise; the Society is committed to developing the Centre, its scientific programme and the exploitation of its commercial potential.

Royal Society Publishing continued to perform well in its principal objectives to publish high quality science, provide first class service to its authors and deliver a financial contribution to the Royal Society.

Philanthropic fundraising for the Royal Society Enterprise Fund, which provides financial support to start-up businesses emerging from the science base, has enabled the Fund to make four investments in 2010. These included investments in two new companies along with two additional investments in existing portfolio companies.

The Society's research fellowships and funding programmes provide public benefit by supporting excellent scientists and investing in the future of UK science.



#### Eyes on the future

Dr Rachael Pearson, a University Research Fellow at the Institute of Ophthalmology, University College London discusses her research: "Retinal degeneration is a major cause of blindness affecting millions of people. The term encompasses a wide range of conditions that lead to the loss of light receptive cells, called photoreceptors, in the retina. Unfortunately there are no known cures: the majority of treatments can at best slow the rate of loss and are only effective in a minority of patients.

My work focuses on the potential of cell replacement therapy as a strategy for replacing the cells that are lost in the degenerative process. The aim is to be able to transplant cells into a patient's eye and that these cells would migrate into the recipient retina and form new functional and healthy photoreceptors. Our work so far has demonstrated, through research in mice, that photoreceptor replacement is a technically feasible option for retinal repair. The challenge now is to see whether the same principles may apply in humans."

## Influence

Following its launch in 2010 the Royal Society's Science Policy Centre, has continued to increase the reach and impact of its policy work.

The Centre's work is organised under four flagship themes: sustainability; governance; diplomacy and innovation. The Centre has offered independent advice via in-depth reports, briefings, statements, seminars, consultation responses and a programme of 'PolicyLab' events.

Under the theme of sustainability, the Society produced a new guide to the science of climate change which summarises the current scientific evidence on climate change and its drivers. The Society also launched *People and the Planet* a major study on global population, which is scheduled to publish early in 2012.

The Society works with a range of partners to strengthen the contribution of science to security, diplomacy and development. The Society's project on the responsible stewardship of the nuclear renaissance, explored how to improve the proliferation resistance of the nuclear fuel cycle in light of risks posed by an expected global expansion of nuclear power. The report will be published later in 2011, to take into account recent post-tsunami events in Japan.

The report *The Scientific century: securing our future prosperity*, which was published in March 2010, provided a foundation for policy work under the theme of Innovation. It focused on the Society's efforts towards influencing the outcome of the spending review and was the theme for party political conference fringe events in September 2010.

The Solar Radiation Management Governance Initiative (SRMGI) was launched in 2010. The project aims to ensure strict governance of any plans for solar radiation management (SRM) geoengineering (counteracting global warming by reflecting a small percentage of the sun's light and heat back into space). In May 2010, the Society also launched *Brain Waves*, a modular series of reports looking at how increasing understanding of the brain, and associated advances in technologies to study it, could provide significant benefits for society. The first *Brain Waves* report, published in January 2011, is a series of essays authored by leading experts in the field. The second *Brain Waves* report, published in February 2011, looks at the implications of neuroscience for education and lifelong learning. Modules three and four of the *Brain Waves* series will look at the neuroscience, conflict and security and neuroscience, responsibility and the law, respectively.

The Society's Pairing Scheme helps to forge networks between MPs, Civil servants and research scientists. In 2010, 17 scientists were paired with MPs and 12 were paired with Civil servants.

The Society delivers public benefit through the advice and information it provides on a number of policy issues of global importance.

## Invigorate

Through a combination of policy and practical work, the Society continued to promote UK science and mathematics education.

As a result of generous support received from The Worshipful Company of Actuaries, in October 2010 the Society began to support a fellowship in the area of mathematics education research. A further fellowship, in physics education research supported by the Ogden Trust, is to be appointed to start by October 2011. Current Education Research Fellows have fed in to the Society's education work on policy and practice issues.

In July 2010, the Society published its third *state of the nation* report on 5-14 science and mathematics education. It was followed by the fourth and final *state of the nation* report in February 2011, which provided a detailed insight into the subject combinations taken by A-level and equivalent students who go on to study science, technology, engineering and mathematics (STEM) degrees at university.

The Partnership Grants scheme continues to grow in popularity, with a 48 % increase in applications this year. In total, 74 grants were awarded through the scheme this year to 36 primary and 38 secondary schools. The London Chamber of Commerce and Industry Commercial Education Trust pledged £30,000 towards the scheme which was allocated to secondary school projects involving applied sciences and those within underprivileged areas in the autumn round of the 2010 scheme.

The Advisory Committee on Mathematics Education (ACME), operating under the auspices of the Royal Society, has maintained its profile as the leading advisory body on 5-19 mathematics education in England.

As a member of the Science Community Representing Science Education (SCORE), the Royal Society has been playing a major role in supporting the Government's STEM programme.

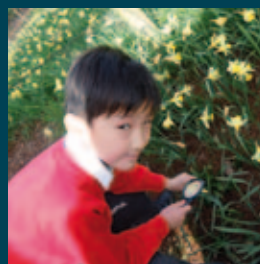
Providing direct support to schools remains a priority for the Society and one of the main ways it ensures the delivery of public benefit in the area of education.



### Invigorate – bringing science to life

In 2010, the Society launched a new web resource bringing science to life in a set of teaching materials for the National Curriculum key stages 2,3 and 4 (for children aged 7 to 16). The resources were developed in conjunction with primary and secondary school teachers, and underpinned by rigorous science. They are inspired by past Fellows of the Society as well as research showcased in the Summer Science Exhibition 2010 and offer creative, practical ideas for activities both in and out of the classroom.

Find out more at: [royalsociety.org/invigorate](http://royalsociety.org/invigorate)



### Partnership Grants

Stanley Primary School in London was awarded a Partnership Grant to work with a Botanical Toxicologist to explore why plants are important to life. The project engaged the whole school from Reception through to Year 6 and highlighted how we protect, manage and make use of plants. Scientists led assemblies and workshops where each year group focused on plant uses in food, medicine, fibres, fuel and more. The project also inspired pupils to continue studying plants in the school's existing, outdoor 'Living Classroom'.

Find out more at: [royalsociety.org/partnership](http://royalsociety.org/partnership)

## Increase

Largely through the work of its international grants schemes and the Science Policy Centre, the Society continued to demonstrate international leadership in science and science policy, through its membership of multilateral partnerships, its central role in the governance of these partnerships and its participation in international meetings.

A report entitled *Knowledge, networks and nations: Global scientific collaboration in the 21st century* launched in March 2011. The report (produced with support from Elsevier) considers the global scope of science at the beginning of the 21st century and makes high level recommendations about how this increasingly global scientific landscape can be better navigated.

The Society co-organised two Frontiers of Science meetings for outstanding early career scientists to discuss the latest advances in their field; these took place in Brazil and Australia. These meetings aim to build new links and encourage international, cross-disciplinary collaboration.

The Society was also represented at key international meetings throughout the year, including the annual meeting of the American Association for the Advancement of Science (AAAS), the Academy of Sciences for the Developing World (TWAS) meeting in Hyderabad and the Science and Technology in Society (STS) Forum in Japan.

The Royal Society, in partnership with the Network of African Science Academies (NASAC) and Pfizer (US), made good progress on its African academy-strengthening programme, building capacity in the national science academies of Ghana, Tanzania and Ethiopia.

In May 2010, six awards were made under the Society's new capacity building scheme for Ghana and Tanzania, the Leverhulme Royal Society Africa Award. This programme provides support for UK-Ghana and UK-Tanzania research collaborations, to strengthen the research and training capacity at institutions in these countries.

The Royal Society enables high-calibre UK scientists to initiate collaborations, exchange ideas, develop new skills and gain experience through working with the world's leading researchers. One of the ways it achieves this is through the Newton International Fellowship scheme which aims to attract the very best early stage post-doctoral researchers from around the world to UK research institutions. 50 Newton Fellows were appointed in 2010/11.

The Royal Society delivers public benefit by working closely with the leading scientific organisations around the world to promote collaboration and to ensure UK scientists are engaging with the best scientists worldwide so they remain at the forefront of world-class science.

## Inspire

Over 50,000 people visited the Royal Society's Summer Science Exhibition which took place at Southbank Centre as the core part of *See Further: The Festival of Science + Arts*, a festival celebrating 350 years of the Royal Society. The wider festival had a diverse programme of events attracting an estimated attendance of over 26,000.

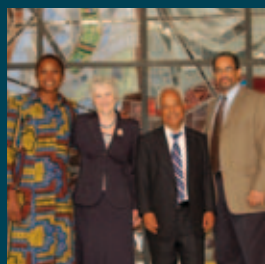
The Royal Society's public programme of lectures and debates consisted of 13 events during the year, attracting a total audience of just under 2,700. In addition, *royalsociety.tv* which hosts the live web casts and video archive, has been viewed by over 45,000 people from 169 different countries.

The Society's media profile was maintained with *See Further: The Festival of Science + Arts* and various other anniversary celebrations featuring in both national and regional media. The Society's education work also enjoyed a higher profile in the media following the publication of the third and fourth *state of the nation* reports.

Over the last 12 months the website attracted almost 1.5 million visits; the site was re-designed in July 2010 to offer an improved user experience.

The Centre for History of Science launched in 2010 and hosts the refurbished Library reading rooms and the Archive Store and rare Book Room have been restored to BS.5454 compliance (the prevailing standard for archive storage).

The Society's wide range of popular activities ensure it delivers public benefit through its public communication programme, media work and events connected with its library and archives.



### Launch of the first Ethiopian Academy of Sciences

In April 2010, Society representatives travelled to Addis Ababa to witness the launch of the first Ethiopian Academy of Sciences (EAS) – a significant milestone in a country for which science can make such a difference to the daily lives of so many people. Speaking at the launch, Professor Lorna Casselton, the Foreign Secretary of the Royal Society said: "Although the concept of science has changed profoundly since the foundation of the Royal Society, the importance of science and academies

of science has remained irrefutable. National academies of science offer many great advantages, both to their country and internationally. The Royal Society is delighted to be supporting the newly formed Ethiopian Academy of Sciences and is looking forward to sharing their vision of a positive scientific future for Ethiopia."



## Fundraising

The 350th Anniversary Campaign closed on 30 November 2010 having reached its goal of £100 million. This financial year, cash received has totalled £10.1million and pledges of £2.6million have also been secured. We are grateful to all those including Fellows and Foreign Members who have continued to support the Society.

We have, with this support, been able to achieve many of the goals we outlined at the start of our Campaign. However, we are now in a very different economic environment. Science, technology, research and innovation are all key to strengthening the economy and further support is vital to ensure the Society is able to lead work in these areas.

## Plans for 2011/12

The Society's 350th anniversary year came to an end in November 2010, successfully concluding the Society's ambitious five year strategy to expand the frontiers of knowledge by championing the development and use of science, engineering and medicine for the benefit of humanity and the good of the planet.

The Society is currently undertaking a comprehensive strategic and operational review, which will provide a focus for the Society's activity over the next five years. Time is being taken to ensure that the process involves full and meaningful consultation with Council, the Fellowship, staff and other parties interested in the health of science and maximizing the benefits it brings.

Our 350th anniversary provided a firm foundation for this review, as celebrations increased the Society's profile both nationally and internationally and provided a gateway to working in partnership with a wide variety of organisations. The strategic review will look at how to develop opportunities arising from these new connections whilst building on relationships with existing ones.

Following the success of the Summer Science Exhibition in 2010 and the programme of events that surrounded it, the 2011 Exhibition will host an extended programme including lectures, talks, family workshops and cafés scientifiques in a wider programme of events at Carlton House Terrace.

Other highlights for the coming year include the evaluation of the scientific programme at the Kavli Royal Society International Centre which will identify opportunities for its further development. The Centre for History of Science will also build on its programme that aims to generate fresh insights into the history of science through a variety of events and improved access to the Society's archives. The Science Policy Centre will continue work on the *People and the Planet* and *Brain Waves* studies amongst others. Additionally, Royal Society Publishing launches a new journal, *Open Biology*, in 2011 which will be the Society's first open access journal covering research in cellular and molecular aspects of biology.

The Royal Society is especially grateful to Winton Capital Management for sponsoring the Royal Society Winton Prize for Science Books for the next five years. In 2011 the Royal Society Young People's Book Prize will also re-launch thanks to an anonymous donation.

Our grant from the Department for Business, Innovation and Skills (BIS) has been agreed for the next four years which will enable us to continue supporting research scientists and engineers through a range of appointments, grants and international activity, as well as providing support for science communication and innovation and science education.



### Summer Science Exhibition

In 2010 over 50,000 people visited the Royal Society's Summer Science Exhibition which took place at Southbank Centre as the core part of *See Further: The Festival of Science + Arts* celebrating 350 years of the Royal Society. For just under ten days, over 850 scientists brought their research to life across 26 exhibits of cutting edge research.

A Convocation of the Fellowship was held in the Royal Festival Hall on 23 June 2010. The event, which occurs once every 50 years, was attended by the Society's Patron Her Majesty The Queen accompanied by Their Royal Highnesses the Duke of Edinburgh, the Princess Royal, the Duke of Kent and Prince William of Wales, who was inducted as a Royal Fellow during the ceremony.

# Financial Review

**As it celebrated its 350th anniversary, the Society remained in a strong position with its overall funds having grown by £12.5m in year to a balance of £236m at year end. The investment gain for the year was £9.4m and donations from Fellows and friends of the Society of £5.6m were received. The refurbishment of the Kavli Royal Society International Centre at Chicheley Hall was completed, and the Centre opened for business in June 2010, giving the UK Science base a new residential conference centre in which to host scientific events. Also completed was the refurbishment of the Centre for History of Science at the Society's premises in central London.**

The Society received grant income from the Department of Business Innovation and Skills (BIS) of £48.6m predominantly to support the Society's grant programme. The BIS grant allocation was agreed in the "Science Budget 2008-09 to 2010-11" and a new settlement for 2011-12 to 2014-15 was agreed in December 2010 securing funding for the Society's major schemes funded through the grant into 2014-15 at the same level as in 2010-11. Income from the Society's investments was £3.7m and surpluses from the Society's trading activities totalled £1.9m. The total contribution from trading, including to overheads, was £3.4m. The Society's income over the year is broken down in Fig 1.

The expenditure for 2010/11 has supported the objectives of the Society as set out in the "Statement of Financial Activities" on page 14 of this report. The nature of the Society's £71.4m revenue expenditure over the year is broken down in Fig 2.

The vast majority of the expenditure of the Society was spent in direct pursuit of its charitable purposes, with £146k also spent through its trading subsidiary. The split of expenditure between direct support of charitable activities, support, governance, primary purpose and subsidiary trading is set out in Fig 3.

The Society's £88.4m of unrestricted funds include £30.4m of tangible assets (£17.3m representing the Kavli Royal Society International Centre) and £47m of heritage assets, leaving freely available income funds (reserves) of £11m at the year end. This level of reserves is felt to be appropriate in order to maintain the independence of the Society, and to meet the short term needs of the Society in the event of the loss of its major sources of funding. This amount represents less than was spent on operational and grant-giving costs from the Society's own funds in 10/11. The level of reserves maintained is a reflection of the Trustees' assessment of the risks facing the Society and is reviewed annually.

The Society has not designated any of its funds. The Society holds a £43m expendable endowment and a permanent endowment of £94m. The Society retains a £7m loan repayable in February 2012. The value of the Society's overall funds position (excluding heritage and tangible assets) is set out in Fig 4.

At 31 March 2011 the Society had seven trust funds (as set out in note 22) amounting to £155m. No funds are in a deficit position

and the Society is content that the objects of these funds are sufficiently wide to meet the future activities of the Society. Their year end values are set out in Fig 5.

The Society (having been in existence since 1660) takes a very long-term view on its investments and their performance. The Society aims to produce above average total returns on its portfolio, whilst having access to sufficient cash to meet its planned activities. The value of the Society's funds under investment rose by £4.6m to £167m over the year. The mix of investments held at year end is shown in Fig 6.

The Society expects investments in the portfolio normally to comprise leading UK and international companies, Unit and Investment Trusts including those investing in major international markets, property and fixed interest. The emphasis in the UK portfolio is on larger well established companies paying a dividend in excess of the market, although it is expected that it will also include a proportion of medium and smaller sized companies, venture capital, hedge, private equity and property funds. Rathbones Investment Management Limited is the investment manager for the majority of the fund with £152.4m under its management at year end. Private Equity and Venture Capital funds are held with UBS AG and Flag Capital Management. The Society's Australian portfolio is managed by Evans and Partners Pty Ltd of Melbourne, Australia investing predominantly in Australian equities.

Within these terms the Society's investment managers have a general discretion over asset allocation and selection. The Treasurer is advised by an active Investment Advisory Committee. The Society does not invest in the producers of tobacco or manufacturers of tobacco products.

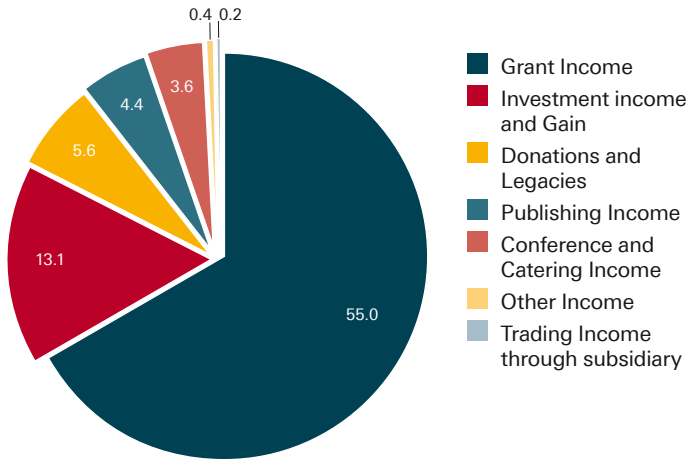
The Society's primary purpose Publishing activity performed well over the year with revenues increasing by 2.6% year on year to £4.4m and the overall contribution to the Society increasing by 4% to £2.3m. The Society's primary purpose conferencing activities at Carlton House Terrace remained strong in a challenging market, with revenues of £3.1m over the year and a contribution to the Society of £1.3m. These activities continue to directly support the Society in its charitable activities in addition to providing a valuable source of unrestricted income.

Activity at the Kavli Royal Society International Centre includes both primary and non-primary purpose conferencing activities. All non-primary purpose conferencing activities are run through Royal Society Trading Ltd, a trading subsidiary of the Society set up for this purpose. Business operations at the Centre started in June 2010, and in the ten months to 31 March 2011, total trading income of £645k was generated at the Centre. The Society remains committed to this exciting venture.

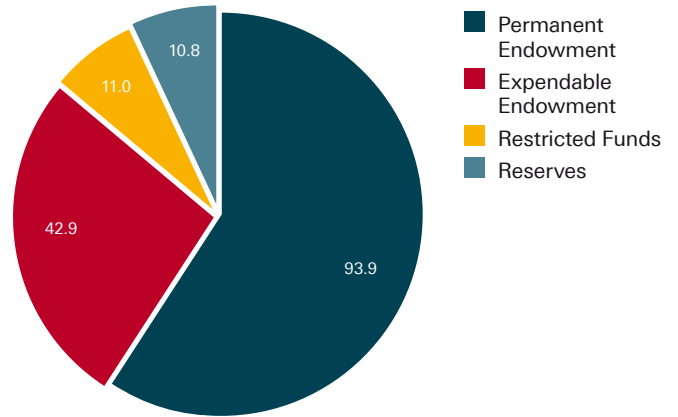
The Society's Enterprise Fund has made further investments in year. At year end the fund had £2.2m invested and further funds of £4.56m available for investment.

Signed on behalf of Council by the President, Sir Paul Nurse.  
7 July 2011

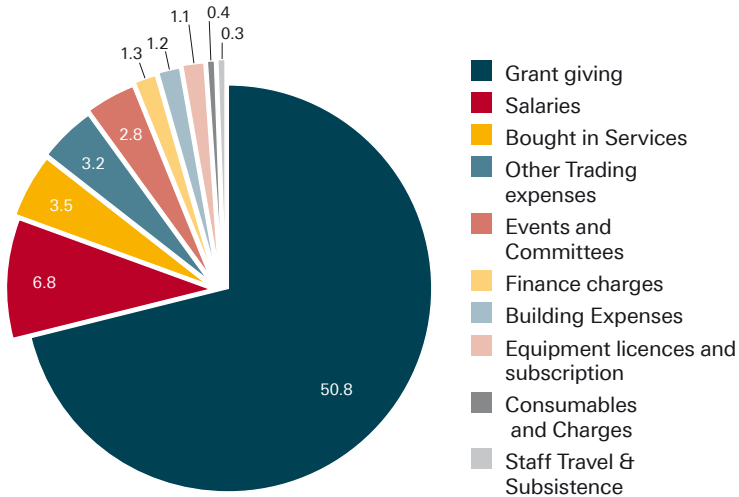
**Fig 1: 2010/11 Income by Source (£m)**



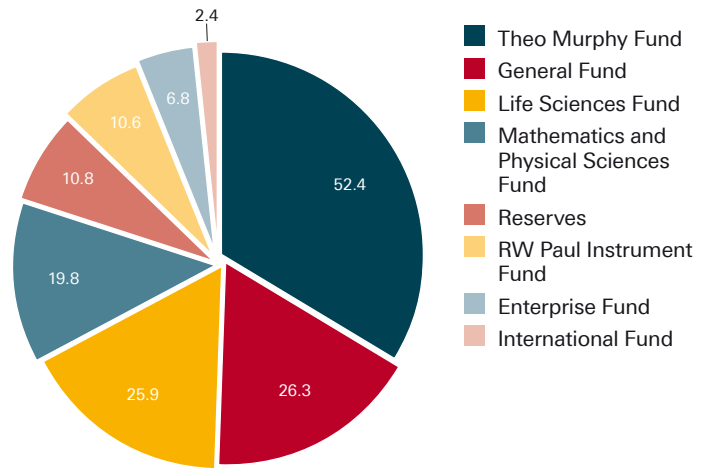
**Fig 4: Nature of Royal Society Funds at year end (£m)**



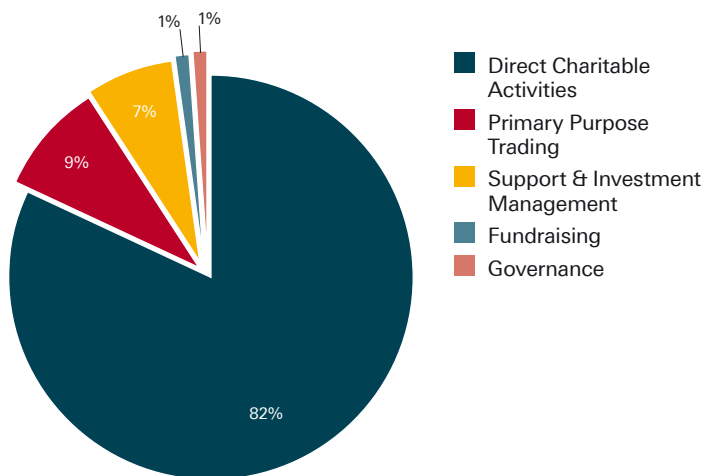
**Fig 2: 2010/11 Society Expenditure by type (£m)**



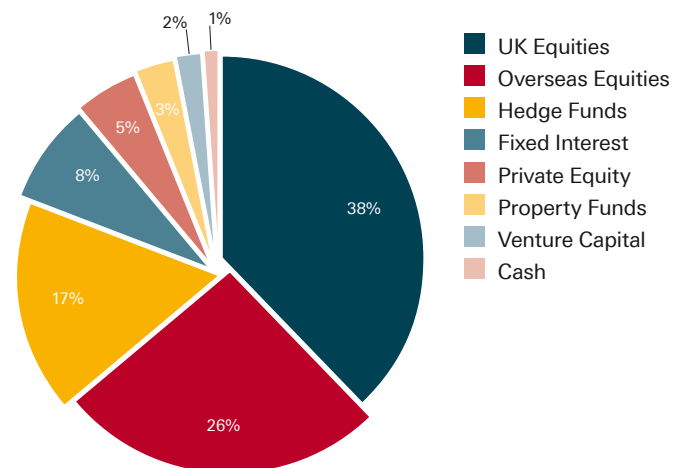
**Fig 5: Trust Funds of the Royal Society at year end (£m)**



**Fig 3: 2010/11 Society Expenditure by Purpose (£m)**



**Fig 6: Investments by Asset Class at year end**



# Independent Auditor's Report to the Council of the Royal Society

We have audited the group and parent charity financial statements ("the financial statements") of the Royal Society for the year ended 31 March 2011 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Parent Charity Balance sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Trustees of the charity ("the Council"), as a body, in accordance with regulations made under section 44 of the Charities Act 1993. Our audit work has been undertaken so that we might state to the Council 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 the Council as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the Council and auditor

As explained more fully in the statement of Council's responsibilities, the Council are responsible for the preparation of the financial statements, which give a true and fair view. We have been appointed as auditor under section 43 of the Charities Act 1993 and report in accordance with that Act. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. In addition, our responsibilities also include a requirement to report our opinion on whether the funds provided by the Department for Business, Innovation and Skills ("BIS") have been applied in accordance with the Financial Memorandum.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent charity's circumstances and have been

consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charity's affairs as at 31 March 2011 and of the group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Charities Act 1993 and regulations made thereunder.

## Opinion on other matter required by the Financial Memorandum

In our opinion, in all material aspects the income from BIS has been applied to the purposes intended by Parliament as set out in the Financial Memorandum and the financial transactions conform to the authorities that govern them.

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

We have nothing to report in respect of the following matters where regulations made under the Charities Act 1993 requires us to report to you if, in our opinion:

- sufficient accounting records have not been kept in respect of the parent charity; or
- the parent charity financial statements do not accord with the accounting records; or
- any information contained in the financial statements is inconsistent in any material respect with the Trustees' Report; or
- any information or explanation to which we are entitled has not been afforded to us.

## PKF (UK) LLP

Statutory Auditors  
London

7 July 2011

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# Audit Committee Report to the Council of the Royal Society on the Financial Statements

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At a meeting of the Audit Committee held on 29 June 2011 the Committee examined the Treasurer's financial statements for the year ended 31 March 2011, set out on pages 14-37, and enquired into his stewardship of the Society's funds and resources.

The financial statements have been audited by PKF (UK) LLP, Statutory auditors. There are no matters arising there from which the Committee feels should be drawn to the attention of Council.

The Committee has received all information and explanations it has required and is satisfied that the Treasurer has properly carried out his duties under Statute 33 to prepare financial statements that give a true and fair view of the state of affairs of the Society and of the surplus or deficits of its funds for the year ended 31 March 2011. The Committee is also satisfied that the Treasurer has taken all reasonable steps for the prevention and detection of fraud and other irregularities.

The Committee recommends the adoption of the financial statements by Council.

**SIR JOHN KINGMAN**  
**Chairman**  
**29 June 2011**



# Consolidated Statement of Financial Activities

For the year ended 31 March 2011

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Expendable Endowment Funds £'000	Permanent Endowment Funds £'000	2011 Total Funds £'000	2010 Total Funds £'000
<b>INCOMING RESOURCES</b>							
<b>Incoming resources from generated funds</b>							
Grants for charitable activities	1	2,265	52,739	-	-	55,004	52,332
Voluntary income	2	3,141	2,431	-	-	5,572	6,412
Investment income	3	1,088	2,644	-	-	3,732	3,851
Trading through Subsidiary	4	200	-	-	-	200	-
Other income		137	19	-	141	297	529
		6,831	57,833	-	141	64,805	63,124
<b>Incoming resources from charitable activities</b>							
Trading in furtherance of charitable objectives	4	8,058	-	-	-	8,058	7,624
<b>Total incoming resources</b>		14,889	57,833	-	141	72,863	70,748
<b>RESOURCES EXPENDED</b>							
<b>Costs of generating funds</b>							
Trading through Subsidiary	4	146	-	-	-	146	-
Costs of generating grants and voluntary income		551	-	-	-	551	533
Investment management costs		58	14	86	229	387	373
<b>Total costs of generating funds</b>	5	755	14	86	229	1,084	906
<b>Charitable activities</b>							
<b>Invest</b> in future scientific leaders and in innovation		3,522	44,647	-	-	48,169	45,843
<b>Influence</b> policymaking with the best scientific advice		1,752	566	-	-	2,318	1,710
<b>Invigorate</b> science and mathematics education		1,164	965	-	-	2,129	1,873
<b>Increase</b> access to the best science internationally		1,448	7,160	-	-	8,608	9,034
<b>Inspire</b> an interest in the joy, wonder and fulfilment of scientific discovery		6,246	2,213	-	-	8,459	5,725
<b>Total for cost of charitable activities</b>	6	14,132	55,551	-	-	69,683	64,185
Governance costs	6	624	1	-	-	625	635
<b>Total resources expended</b>		15,511	55,566	86	229	71,392	65,726

Continued from page 14

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Expendable Endowment Funds £'000	Permanent Endowment Funds £'000	<b>2011 Total Funds £'000</b>	2010 Total Funds £'000
<b>Net incoming/(outgoing) resources before transfers</b>		(622)	2,267	(86)	(88)	<b>1,471</b>	5,022
Gross transfers between funds	13	2,020	(2,020)	-	-	-	-
<b>Net incoming/(outgoing) resources before other recognised gains and losses</b>		1,398	247	(86)	(88)	<b>1,471</b>	5,022
Net gains on investments	18	1,347	783	2,332	4,930	<b>9,392</b>	35,466
Actuarial gains/(losses) on defined benefits pension scheme	24	1,565	-	-	-	<b>1,565</b>	(2,413)
<b>Net movement in funds</b>		4,310	1,030	2,246	4,842	<b>12,428</b>	38,075
Total funds brought forward at 1 April 2010		84,060	9,963	40,675	89,076	<b>223,774</b>	185,699
<b>Total funds carried forward 31 March 2011</b>		88,370	10,993	42,921	93,918	<b>236,202</b>	223,774

All of the above results are derived from continuing activities. There are no other gains or losses other than are stated above.

# Consolidated Balance Sheet

For the year ended 31 March 2011

	Notes	2011 £'000	2010 £'000
<b>Fixed Assets</b>			
Tangible assets	15	30,357	28,446
Heritage assets	17	47,190	47,024
Investments	18	166,955	162,320
		<b>244,502</b>	237,790
<b>Current Assets</b>			
Stock		36	29
Debtors receivable within one year	19	4,133	5,723
Debtors receivable after one year	19	3,400	4,100
Cash at bank and in hand		2,267	365
		<b>9,836</b>	10,217
Creditors: amount due in one year	20	(15,602)	(12,465)
<b>Net Current Liabilities</b>		<b>(5,766)</b>	(2,248)
<b>Total assets less current assets</b>		<b>238,736</b>	235,542
Creditors: amount due after one year	20	(246)	(7,239)
		<b>238,490</b>	228,303
Defined Benefits Pension Scheme: liability	24	(2,288)	(4,529)
<b>Net Assets</b>		<b>236,202</b>	223,774
Permanent Endowment Funds	22	93,918	89,076
Expendable Endowment Funds	22	42,921	40,675
Restricted Funds	22	10,993	9,963
Unrestricted Income Funds	22	88,370	84,060
		<b>236,202</b>	223,774

The financial statements were approved and authorised for issue by Council and signed on its behalf on 7 July 2011

**SIR PETER WILLIAMS CBE FRS**

Treasurer

7 July 2011

# Consolidated Cash Flow Statement

For the year ended 31 March 2011

Notes	2011 £'000	2010 £'000
<b>Reconciliation of net incoming resources to net cash inflow from activities</b>		
Net incoming resources before revaluation	1,471	5,022
Depreciation charges	1,551	983
Loss on disposal of fixed assets	-	-
Increase in stocks	(7)	(10)
Decrease/(Increase) in debtors	2,290	(823)
(Decrease)/Increase in creditors	(3,856)	1,217
Decrease in pension fund liability	(676)	(738)
	<b>773</b>	<b>5,651</b>
<b>Cash Flow Statement</b>		
	<b>2011 £'000</b>	<b>2010 £'000</b>
Net cash inflow from activities	773	5,651
Capital inflow/(outflow) 1	1,129	(7,045)
Increase/(Decrease) in cash 2	1,902	(1,394)
<b>Notes to the Cash Flow Statement</b>		
	<b>2011 £'000</b>	<b>2010 £'000</b>
<b>1. Capital inflow/(outflow)</b>		
Purchase of tangible fixed assets	(3,462)	(8,643)
Purchase of heritage assets	(165)	(1)
Net sale of investments	4,756	1,600
Net Capital inflow/(outflow)	1,129	(7,045)
Proceeds from the sale of investments and Purchase of investments are stated net of amounts reinvested.		
<b>2. Increase/(Decrease) in cash</b>		
Cash at bank and in hand		
Balance 31 March	2,267	365
Change in year	1,902	(1,394)

# Accounting Policies

## for the year ended 31 March 2011

### Accounting convention

The financial statements are prepared under the historical cost convention, with the exception that certain investments are valued at mid-market prices as at the Balance Sheet date and heritage assets are valued as per the heritage assets policy. They are also prepared in accordance with applicable accounting and financial reporting standards and the requirements of the Charities Act 1993 and the Statement of Recommended Practice – Accounting and Reporting by Charities (revised 2005) ('the SORP').

### Donations, gifts and other income

Donations, gifts and other income are credited as income in the year in which they are receivable.

### Legacies

Unless incapable of financial measurement, legacies are credited as income in the year in which they are receivable. Council has determined that it does not regard a legacy as receivable until probate has been granted in respect of the estate.

### Fellows' Contributions

Fellows' Annual Contributions are recognised in the year in which they become due. Fellows' Annual Contributions may be compounded into a single payment.

### Charitable expenditure

Charitable expenditure includes all expenditure incurred on grants awarded, on other schemes run in pursuance of the Society's objectives under its Charter, including Fellowship activities and primary purpose trading. The direct costs of supporting these activities, including staff, establishment and other overhead costs are separately analysed and shown as support costs under this heading.

### Administration charges

An administration charge is made on funds, calculated at 15% of investment income. For other types of income the rate and basis of the charge have been separately agreed with the original donor(s) of the fund.

### Foreign currency

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currency are translated into sterling at the rate of exchange ruling on the Balance Sheet date.

### Resource allocation

Expenditure on staff, establishment and operating costs are allocated to charitable activities and support costs pro-rata to the actual staff costs of each activity.

### Support costs

Support costs are apportioned over charitable activities proportionately to the direct costs incurred on those activities during the year.

### Grants receivable

Grants are credited as income in the year in which they are receivable. Grants are recognised as receivable when all conditions for receipt have been complied with. Where donor-imposed restrictions apply to the timing of the related expenditure as a precondition of its use, the grant is treated as deferred income until those restrictions are met. Grants received for specific purposes are accounted for as Restricted funds.

Grants receivable in respect of expenditure on tangible fixed assets are treated as income of either a Restricted or Unrestricted Fund as applicable. A transfer is made annually to General Purposes Funds in equal instalments on the same basis as the depreciation charge applicable to the asset concerned.

### Grants payable

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

The proportion of grants both by value and number made to institutions is less than 5% of total grants payable. Disclosure of such grants is not considered material nor is the disclosure of the number of grants payable to individuals. Grants paid to institutions in respect of Royal Society Professorships/Fellowships and international exchange grants etc are regarded, for this purpose, as payment to the individuals concerned.

### Tangible fixed assets

Expenditure on tangible fixed assets is capitalised if the cost of the total asset exceeds £2,500, or in the case of computer hardware or software £5,000. Additions of smaller value may be capitalised if forming part of a larger asset. The cost of other items is written off as incurred.

Depreciation is calculated to write off the cost of tangible fixed assets by equal instalments over their expected useful lives as follows:

Freehold property and improvements	20–30 years
Leasehold improvements	20–30 years
Computers and other equipment	3–20 years

The Kavli Royal Society International Centre has a residual value of £6.5m.

Capitalised assets in the course of construction will be depreciated as for other assets in their class once fully constructed.

### Heritage assets

The Society holds an extensive collection of heritage assets relating to the history of the Society itself and the wider history of scientific endeavour. The collection is in four main areas:

- Printed works : The Library contains over 70,000 titles, published from the 1470s to the present day. The main strength of the collections is in the 17th and 18th centuries; from the 1680s to the mid 19th century the policy of the Library was to acquire every important scientific publication.
- Archives: An extraordinary and unrivalled record of the development of science that spans nearly 350 years, the archive collection is a unique resource for historians, particularly historians of science, containing over 250,000 items.
- Pictures, Sculptures and other works of Art: The collection includes over 6,000 photographs, engravings and paintings of past and present Fellows.
- Other artefacts: This collection of approximately 150 items includes scientific instruments, furniture and furnishings and the Society's Charter book.



These assets are included on the Balance Sheet using a historical valuation based on a fair market / replacement value in 2003 and 2004 as stated in note 17. The assets were included in the valuations based upon the information catalogued at the time they were carried out; in the case of the printed books and archives the valuations were based on those items detailed in 'A Guide to the Archives and Manuscripts of the Royal Society' (Moore and Sampson, 1995), which was the basis of their previous valuation in 1995.

Acquisitions to all these collections are made by purchase or donation. Purchases are initially recorded at cost and donations are recorded at a current value where available. The cost of obtaining an annual value outweighs the value of any resultant benefit. The Society holds and retains these assets as a long-term policy for use in its charitable purposes and has no intention of disposing of any of these items.

The collections are accessible to scholars and the wider public through the Royal Society's Centre for History of Science, which includes a reference library and an extensive on-line presence (including fully searchable catalogue and image library).

The Trustees do not consider that reliable cost or valuation information can be obtained for a large part of the archives collection and the Society does not therefore recognise these assets on its Balance Sheet. The Society was founded in 1660 and the collection has been built up throughout its existence, therefore reliable and relevant information on the cost of many of the assets is not readily available. The number of uncapitalised assets held in the collection is extensive and their nature diverse; accordingly efforts to obtain costs or values would be prohibitively expensive compared with any benefits arising from the exercise. Added to this, there is a lack of comparable market values. Therefore any value attributed to these assets would be purely speculative, and of limited practical use.

### Investments

Investments listed on a recognised stock exchange, including investment and unit trusts, are stated at mid-market value.

Net investment gains/losses for the year are credited / charged in the Statement of Financial Activities. Unlisted investments are listed at cost, reviewed annually for evidence of impairment and adjusted accordingly. No adjustment for impairment of the value of unlisted investments was considered necessary in the year.

Investment management fees are charged proportionately against the funds under investment.

### Pension costs

The Society operates a Pension Scheme providing defined benefits for its employees. The assets of the scheme are held separately from those of the Society, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained triennially and updated under FRS17 rules at each balance sheet date. Any surplus or deficit is shown in the balance sheet as an asset or liability.

The charge to the Statement of Financial Activities is calculated so as to spread the cost of pensions over employees' working lives with the Society. The charge comprises the current service cost, computed by the actuary under FRS17, and gains and losses on settlements and curtailments. Past service costs are recognised immediately if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest costs and the expected return on assets are shown as a net amount of other finance costs or credits charged or credited to the Statement of Financial Activities. Actuarial gains and losses are recognised immediately under the description "Actuarial losses on defined benefits pension scheme".

### Subsidiary undertakings

The Society has three wholly owned subsidiary companies, Carlton House Terrace Developments Limited (which was dormant in year), The Royal Society Enterprise Fund Limited and The Royal Society Trading Limited. The results of these companies are consolidated into the financial statements (see Note 25).

The results of the parent charity have not been shown separately within the accounts to the consolidated position. The only differences between the two positions are the Society's investment in the subsidiaries and inter-company transactions, neither of which are material. The Royal Society Trading Ltd gift aids its profits to the Royal Society.

### Transfers

Council, in accordance with its powers and within the restrictions imposed by such, has approved the support of the Society's activities from the annual income first and expendable endowment if income has been spent of certain funds.

# Notes to the financial statements

For the year ended 31 March 2011

## 1. Grants for activities

	Unrestricted Funds £'000	Restricted Funds £'000	Expendable Endowment Funds £'000	Permanent Endowment Funds £'000	<b>2011 Total Funds £'000</b>	2010 Total Funds £'000
<b>From Government and other public bodies:</b>						
Administration of the Parliamentary Grant	1,770	-	-	-	<b>1,770</b>	1,827
Rent and External Maintenance	495	-	-	-	<b>495</b>	495
Contribution to charitable activities	-	46,517	-	-	<b>46,517</b>	43,390
<b>From other external bodies</b>						
Contribution to charitable activities	-	6,222	-	-	<b>6,222</b>	6,620
<b>Total</b>	<b>2,265</b>	<b>52,739</b>	<b>-</b>	<b>-</b>	<b>55,004</b>	<b>52,332</b>

Details of the income and movement of individual funds are disclosed in note 22.

## 2. Voluntary income

	Unrestricted Funds £'000	Restricted Funds £'000	Expendable Endowment Funds £'000	Permanent Endowment Funds £'000	<b>2011 Total Funds £'000</b>	2010 Total Funds £'000
Gifts, Donations and Legacies	2,938	2,431	-	-	<b>5,369</b>	6,212
Fellows Contributions	203	-	-	-	<b>203</b>	200
<b>Total</b>	<b>3,141</b>	<b>2,431</b>	<b>-</b>	<b>-</b>	<b>5,572</b>	<b>6,412</b>

## 3. Investment income

	Unrestricted Funds £'000	Restricted Funds £'000	Expendable Endowment Funds £'000	Permanent Endowment Funds £'000	<b>2011 Total Funds £'000</b>	2010 Total Funds £'000
Dividends and short-term deposit interest	1,073	2,644	-	-	<b>3,717</b>	3,681
Bank deposit interest	15	-	-	-	<b>15</b>	170
<b>Total</b>	<b>1,088</b>	<b>2,644</b>	<b>-</b>	<b>-</b>	<b>3,732</b>	<b>3,851</b>

#### 4. Trading

	Gross Income £'000	Gross Expenditure £'000	2011 Net Surplus £'000	Gross Income £'000	Gross Expenditure £'000	2010 Net Surplus £'000
<b>Incoming resources from generated funds</b>						
Lettings through Subsidiary - Kavli Royal Society International Centre	200	146	54	-	-	-
<b>Trading in furtherance of charitable activities</b>						
Publishing	4,406	2,984	1,422	4,295	2,999	1,296
Lettings in furtherance of objectives – Carlton House Terrace	3,088	2,266	822	3,178	2,059	1,119
Lettings in furtherance of objectives – Kavli Royal Society International Centre	445	986	(541)	-	-	-
Other	119	-	119	151	-	151
	<b>8,058</b>	<b>6,236</b>	<b>1,822</b>	7,624	5,058	2,566
<b>Total</b>	<b>8,258</b>	<b>6,382</b>	<b>1,876</b>	7,624	5,058	2,566

The costs of the Society's publishing operation are included as part of the "Invest" goal on the face of the Statement of Financial Activities, the costs associated with the letting's through the furtherance of charitable objects are included in the "Inspire" goal and the costs of lettings through the Subsidiary form part of generating funds.

The Society was exempt from income tax, corporation tax or capital gains tax on income derived from its primary purpose trading or charitable activities.

The Royal Society Trading Limited donates its profits to the Royal Society.

#### 5. Analysis of costs of generating funds

	Staff and Operating Costs £'000 (Note 8)	Grants & Direct Costs £'000	2011 Total £'000	2010 Total £'000
Trading through Subsidiary	-	146	146	-
Costs of generating grants and voluntary income	499	52	551	533
Investment management costs	-	387	387	373
<b>Total</b>	499	585	<b>1,084</b>	906

#### 6. Analysis of costs of charitable activities and Governance

	Staff and Operating Costs £'000 (Note 8)	Support Costs £'000 (Note 7)	Grants & Direct Costs £'000	2011 Total £'000	2010 Total £'000
<b>Charitable activities</b>					
<b>Invest</b> in scientific excellence to create tomorrow's leaders of science	1,802	544	45,823	48,169	45,843
<b>Influence</b> policymaking with the best scientific advice	983	590	745	2,318	1,710
<b>Invigorate</b> science and mathematics education	874	524	731	2,129	1,873
<b>Increase</b> access to the best science internationally	954	572	7,082	8,608	9,034
<b>Inspire</b> an interest in the joy, wonder and fulfilment of scientific discovery	2,113	1,137	5,209	8,459	5,725
<b>Total for costs of charitable activities</b>	6,726	3,367	59,590	<b>69,683</b>	64,185
<b>Total for costs of Governance (Note 11)</b>	223	-	402	<b>625</b>	635

# Notes to the financial statements

For the year ended 31 March 2011

## 7. Support costs

	Staff and Operating Costs £'000 (Note 8)	Other Direct Costs £'000	<b>2011 Total £'000</b>	2010 Total £'000
Press and public relations	573	108	<b>681</b>	748
Finance, information technology and Human Resources	1,528	-	<b>1,528</b>	896
House and office services	374	-	<b>374</b>	375
Corporate Management	784	-	<b>784</b>	813
<b>Total</b>	<b>3,259</b>	<b>108</b>	<b>3,367</b>	<b>2,832</b>

## 8. Staff and operating costs

	Staff Costs £'000 (Note 9)	Operating Costs £'000 (Note 10)	<b>2011 Total £'000</b>	2010 Total £'000
Cost of generating funds	297	202	<b>499</b>	495
Charitable activities	4,455	2,271	<b>6,726</b>	6,271
Support costs	1,941	1,318	<b>3,259</b>	2,695
Governance	133	90	<b>223</b>	210
<b>Total</b>	<b>6,826</b>	<b>3,881</b>	<b>10,707</b>	<b>9,671</b>

## 9. Staff costs

	<b>2011 Total £'000</b>	2010 Total £'000
Salaries	<b>5,439</b>	5,210
Social Security costs	<b>469</b>	448
Death in service, Payroll and Pension Scheme administration costs	<b>8</b>	10
Pension costs	<b>918</b>	527
<b>Total</b>	<b>6,834</b>	<b>6,195</b>

	<b>2011</b>	2010
<b>Number of employees earning £60,000 pa or more:</b>		
£60,001 - £70,000	<b>3</b>	5
£70,001 - £80,000	<b>1</b>	1
£80,001 - £90,000	<b>2</b>	3
£90,001 - £100,000	<b>1</b>	1
£100,001 - £110,000	<b>1</b>	-
£110,001 - £120,000	<b>1</b>	-
£120,001 - £130,000	<b>-</b>	1
£130,001 - £140,000	<b>-</b>	1
£160,001 - £170,000	<b>1</b>	-
£180,001 - £190,000	<b>-</b>	1

Of the ten employees above, nine are accruing benefits under a defined benefits Pension Scheme.

	<b>2011</b>	2010
<b>The average number of employees, analysed by function was:</b>		
Generating Funds	<b>6</b>	6
Charitable activities	<b>95</b>	97
Support & Governance	<b>39</b>	39
<b>Total</b>	<b>140</b>	<b>142</b>

## 10. Operating costs

	2011 Total £'000	2010 Total £'000
Temporary staff	14	11
Staff recruitment, training and welfare	176	174
Establishment costs	2,456	1,848
Maintenance	203	200
Office services	436	323
Information technology	142	144
Professional fees	219	227
Finance - pension cost	94	370
Loan Interest	141	189
<b>Total</b>	<b>3,881</b>	<b>3,486</b>

## 11. Governance direct costs comprise

	2011 Total £'000	2010 Total £'000
Fellowship costs	159	202
Council and committee expenses	105	101
Auditor's remuneration:		
Audit fee	40	31
Audit fee - Underprovision prior year	19	16
Non audit services	8	19
Internal audit	20	38
Legal fees	51	18
<b>Total</b>	<b>402</b>	<b>425</b>

## 12. Payments to Trustees

	2011 Total £'000	2010 Total £'000
<b>Remuneration</b>	-	-
<b>Expenses:</b>		
Travel & subsistence	41	42

Expenses were reimbursed to 25 Trustees (2010 – 26 Trustees)

### Indemnity Insurance

With the consent of the Charity Commission the Society has taken out Trustees' indemnity insurance. The cost of their insurance for the year was £2.5k (2010 – £3k). No claims have been made under this policy.

### Grants and Awards

Professor Wilson Sibbett is a holder of a Royal Society Joint Project. The amount paid to the University of St Andrews, in respect of the award, in the year was £5,659.

Professor Richard Catlow is a holder of a Royal Society Joint Project. The amount paid to the University College London, in respect of the award, in the year was £6,000.

Professor Peter Donnelly is a holder of a Wolfson Merit Award. The amount paid to the University of Oxford, in respect of the award, in the year was £22,500.

Professor Anthony Cheetham is a holder of a Wolfson Merit Award. The amount paid to the University of Cambridge, in respect of the award, in the year was £15,000.

Sir Alan Wilson is a holder of a Wolfson Merit Award. The amount paid to the Royal Veterinary College, in respect of the award, in the year was £6,731.51.

### Other

Sir Paul Nurse became the President of the Royal Society on 30th November 2011 and has had use of the Presidents flat from 2nd January 2011.



# Notes to the financial statements

For the year ended 31 March 2011

## 13. Gross transfers between funds

	Unrestricted Funds £'000	Restricted Funds £'000	Expendable Endowment Funds £'000	Permanent Endowment Funds £'000	2011 Total Funds £'000	2010 Total Funds £'000
Fund administration charges for support of charitable activities	3,988	(3,988)	-	-	-	-
Support of charitable activities	(1,968)	1,968	-	-	-	-
<b>Gross transfers between funds</b>	<b>2,020</b>	<b>(2,020)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 14. Financial Memorandum with the Department of Business, Innovation and Skills

Under the terms of its Financial Memorandum with the Department of Business, Innovation and Skills, the Society is required to identify in these Financial Statements any income and expenditure not covered by funds provided by the Grant.

	2011 Total £'000	2010 Total £'000
<b>Non Parliamentary Grant</b>		
Income	<b>23,416</b>	24,198
Expenditure	<b>(21,926)</b>	(18,730)
Total	<b>1,490</b>	5,468

## 15. Tangible fixed assets

	Kavli Freehold property and Improvements £'000	Kavli Computer and other equipment £'000	Leasehold Improvements £'000	Computer and other equipment £'000	Assets under Construction £'000	2011 Total £'000	2010 Total £'000
<b>Cost:</b>							
At 1 April 2010	-	-	15,283	3,564	15,741	<b>34,588</b>	25,945
Additions	-	-	445	132	2,885	<b>3,462</b>	8,643
Transfer on completion of construction	17,334	643	649	-	(18,626)	-	-
<b>At 31 March 2011</b>	<b>17,334</b>	<b>643</b>	<b>16,377</b>	<b>3,696</b>	<b>-</b>	<b>38,050</b>	34,588
<b>Depreciation:</b>							
At 1 April 2010	-	-	3,468	2,674	-	<b>6,142</b>	5,159
Charge for year	384	91	699	377	-	<b>1,551</b>	983
<b>At 31 March 2011</b>	<b>384</b>	<b>91</b>	<b>4,167</b>	<b>3,051</b>	<b>-</b>	<b>7,693</b>	6,142
<b>Net book value at 31 March 2011</b>	<b>16,950</b>	<b>552</b>	<b>12,210</b>	<b>645</b>	<b>-</b>	<b>30,357</b>	28,446
Net book value at 31 March 2010	-	-	11,815	890	15,741	<b>28,446</b>	

All material tangible fixed assets are used for the support of charitable activities within the Society.

The assets under construction were in respect of the purchase and refurbishment of the Kavli Royal Society International Centre (Kavli) and the refurbishment of the Centre for History of Science's library and archive store. The transfers above were made as the works were completed during the year.

Council consider that the carrying value of the freehold property at 31 March 2011 exceeded the value included above.

## 16. Capital commitments

	2011 Total £'000	2010 Total £'000
Authorised and contracted for	234	2,152
Authorised but not contracted for	132	873
<b>Total Commitment</b>	<b>366</b>	<b>3,025</b>

At the balance sheet date, a further spend of up to £246k had been authorised by Council for the external redecoration of 6-9 Carlton House Terrace. £234k of this expenditure had been contracted by the year end.

At the balance sheet date, a further spend of up to £120k had been authorised for the refurbishment of Carlton House Terrace.

## 17. Heritage assets

	2011 Total £'000	2010 Total £'000
Items included at valuation at 1 April 2010	46,039	46,037
Items included at cost at 1 April 2010	986	986
Additions at cost	165	1
<b>Valuation or cost at 31 March 2011</b>	<b>47,190</b>	<b>47,024</b>
<b>The heritage assets comprise:</b>		
Printed books	13,234	13,233
Archives	22,790	22,706
Pictures, Sculptures and other works of Art	8,162	8,092
Other artefacts	3,004	2,993
<b>Total</b>	<b>47,190</b>	<b>47,024</b>

The Printed Books and Archives were valued on 5 August 2003 by Roger Gaskell, a rare book dealer and the pictures and other artefacts by Weller King, Fine Art Dealers, in May 2004. The valuations are on a fair market / replacement basis on those parts of the collection where it is felt such a valuation can be reasonably made. The Trustees consider there to be no material impairment on the present market values / replacement values compared to those stated.

There were no material additions or disposals to the Heritage Assets held by the Society in 10/11.

<b>Five year financial summary of heritage asset transactions</b>	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000	2006/07 £'000
<b>Purchases</b>					
Pictures	19	-	-	-	-
Archives	1	-	-	-	936
Other artefacts	-	1	2	-	-
<b>Total Purchases</b>	<b>20</b>	<b>1</b>	<b>2</b>	<b>-</b>	<b>936</b>

The £936k of assets shown 2006/07 relates to the Society's purchase of the Hooke Folio

In addition to these purchased heritage assets, the Society has received £145k of donated heritage assets over the past five years. These assets haven't previously been accounted for as only a small amount was received each year. The full amount has been recognised in 10/11, and future donations will be recognised in the year they were received.

There have been no disposals of heritage assets within the last five years.

### Preservation and Management

Expenditure which in the Trustees view is required to preserve or clearly prevent further deterioration of individual collection items is recognised in the Income and Expenditure account when it is incurred.

The Society has an on-going programme of conservation and restoration work, alongside the cataloguing project. This restoration work costs the Society approximately £10,000 each year.

The Society's major strategic facilities for the long-term preservation of its historic archives, manuscripts and printed books are environmentally-controlled store-rooms (conforming to British Standard 5454 "Preservation of archival documents"). These rooms were brought back to the operating standard by improvements to plant and machinery during a £1m refurbishment completed in 2010, while additional racking was added within the main archive store, enabling more material to be properly stored.

The Society's modern records have been subject to a full audit, completed in April 2011. This process has enabled the full-life management, destruction and permanent archiving of pertinent files. Conservation of damaged items will now commence, as will more detailed cataloguing of individual collection elements.

Each of the Society's major collections (archives, modern records, printed books, pictures, journals, objects) has a designated member of curatorial staff and exhibited materials are looked after by an exhibitions manager. Collections are managed and recorded in discrete databases and according to the prevailing standard in each area (for example, ISAD for archival cataloguing, SPECTRUM for museum standards and picture control).

# Notes to the financial statements

For the year ended 31 March 2011

## 18. Investments

	2011 Total £'000
<b>Valuation at 1 April 2010</b>	<b>162,320</b>
Additions of investments	20,989
Disposal of investments	(25,603)
Net change in cash invested for trades	6,663
Investment management costs	(387)
Net cash removed	(6,579)
Net gains on valuation at 31 March 2011	9,392
Exchange rate gains on valuation at 31 March 2011	160
<b>Valuation at 31 March 2011</b>	<b>166,955</b>
<b>The valuation at 31 March 2011 comprises:</b>	
Investments listed on a recognised stock exchange including investments and unit trusts:	
UK	106,875
Overseas	48,123
Other Unlisted Securities:	
UK	3,449
Overseas	7,089
Cash:	
UK	864
Overseas	555
<b>Total</b>	<b>166,955</b>
<p>Overseas investments comprise equities, unit/investment trusts and fixed interest funds.</p> <p>At 31 March 2011 the following UK equity investments exceeded 5% by value of the invested portfolio:</p> <p style="padding-left: 20px;">Landsdowne UK Equity Fund limited Sterling shares</p> <p style="text-align: right;">7.2%</p> <p>The Society owns 100% of the issued share capital of Carlton House Terrace Development Limited (note 25).</p> <p>The principal activity of the company is the redevelopment of 6-9 Carlton House Terrace. This property is occupied by the Society.</p> <p>The Society owns 100% of the issued share capital of The Royal Society Enterprise Fund Limited (note 25).</p> <p>The principal activity of the company is providing advice to the Society in its application of the Enterprise Fund</p> <p>The Society owns 100% of the issued share capital of The Royal Society Trading Limited (note 25).</p> <p>The principal activity of the company is to process the external activities that occur at the Kavli Royal Society International Centre.</p>	
	2011 Total £'000
<b>Funds are invested:</b>	
Specific investments	2,176
Pooled investments	164,779
<b>Total</b>	<b>166,955</b>

**19. Debtors**

	<b>2011 Receivable within one year £'000</b>	<b>2011 Receivable after one year £'000</b>	2010 Receivable within one year £'000	2010 Receivable after one year £'000
Trade debtors	<b>2,566</b>	-	1,502	-
Grants receivable	<b>700</b>	<b>3,400</b>	700	4,100
Legacy receivable	<b>204</b>	-	94	-
Other debtors	<b>102</b>	-	432	-
Accrued income	<b>419</b>	-	2,656	-
Prepayments	<b>142</b>	-	339	-
<b>Total</b>	<b>4,133</b>	<b>3,400</b>	5,723	4,100

**20. Creditors**

	<b>2011 Due within one year £'000</b>	<b>2011 Due after one year £'000</b>	2010 Due within one year £'000	2010 Due after one year £'000
Publications advanced sales	<b>2,448</b>	-	2,264	-
Grants payable	<b>221</b>	-	357	-
Other creditors	<b>1,417</b>	<b>246</b>	1,373	239
Bank Loan	<b>7,000</b>	-	-	7,000
Accruals & deferred income	<b>4,516</b>	-	8,471	-
<b>Total</b>	<b>15,602</b>	<b>246</b>	12,465	7,239

The £7m bank loan from Unity Bank is now due within one year. The loan is to be repaid in not more than 36 months from February 2009, with interest payments on the full amount falling due each quarter. Interest is payable at a rate of 1.00% per annum over Unity Bank's base rate, subject to a minimum lending rate of 2% per annum, and is calculated on a daily basis. Capital is required to be repaid only at the end of the term of the loan.

**21. Analysis of net assets between funds**

	Unrestricted Funds £'000	Restricted Funds £'000	Expendable Endowment Funds £'000	Permanent Endowment Funds £'000	<b>2011 Total Funds £'000</b>	2010 Total Funds £'000
<b>Funds' balances at 31 March 2011 are represented by:</b>						
Tangible fixed assets	30,357	-	-	-	<b>30,357</b>	28,446
Heritage assets	47,190	-	-	-	<b>47,190</b>	47,024
Investments	19,123	10,993	42,921	93,918	<b>166,955</b>	162,320
Net Current liabilities	(5,766)	-	-	-	<b>(5,766)</b>	(2,248)
Creditors: Due after one year	(246)	-	-	-	<b>(246)</b>	(7,239)
Defined benefit pension scheme liability	(2,288)	-	-	-	<b>(2,288)</b>	(4,529)
<b>Net assets</b>	<b>88,370</b>	<b>10,993</b>	<b>42,921</b>	<b>93,918</b>	<b>236,202</b>	223,774

The deficit of creditors over current assets for General Purposes Funds is funded by investments, which can be realised to meet the net liabilities as they fall due for payment.

# Notes to the financial statements

For the year ended 31 March 2011

## 22. Movements on Trust and Specific Funds in year

	B/Fwd @ 01/04/10 £'000	Income £'000	Expenditure £'000	Admin/ support Transfers £'000	Investment Gain £'000	C/Fwd @ 31/03/11 £'000
<b>Permanent Endowment Funds</b>						
General Fund	5,147	-	(11)	-	297	<b>5,433</b>
International Fund	1,072	-	(2)	-	62	<b>1,132</b>
Life Sciences Fund	14,647	-	(31)	-	844	<b>15,460</b>
Mathematics and Physical Sciences Fund	9,044	-	(19)	-	521	<b>9,546</b>
RW Paul Instrument Fund	9,654	-	(21)	-	556	<b>10,189</b>
Project Funds	6	-	-	-	-	<b>6</b>
Theo Murphy Fund	49,506	141	(145)	-	2,650	<b>52,152</b>
<b>Total Permanent Endowment Funds</b>	<b>89,076</b>	<b>141</b>	<b>(229)</b>	<b>-</b>	<b>4,930</b>	<b>93,918</b>
<b>Expendable Endowment Funds</b>						
General Fund	19,815	-	(41)	-	1,129	<b>20,903</b>
International Fund	1,227	-	(3)	-	71	<b>1,295</b>
Life Sciences Fund	9,905	-	(21)	-	571	<b>10,455</b>
Mathematics and Physical Sciences Fund	9,728	-	(21)	-	561	<b>10,268</b>
<b>Total Expendable Endowment Funds</b>	<b>40,675</b>	<b>-</b>	<b>(86)</b>	<b>-</b>	<b>2,332</b>	<b>42,921</b>
<b>Restricted Funds</b>						
Enterprise Fund	4,648	1,633	(215)	(16)	710	<b>6,760</b>
International Fund	-	51	(11)	(42)	2	<b>-</b>
Life Sciences Fund	-	541	(467)	(81)	7	<b>-</b>
Mathematics and Physical Sciences Fund	-	414	(76)	(359)	21	<b>-</b>
RW Paul Instrument Fund	179	217	(2)	(33)	23	<b>384</b>
Project Funds						
Wolfson Lab Refurbishment	-	1,173	(1,176)	3	-	<b>-</b>
Wolfson Merit Awards	(4)	615	(618)	3	-	<b>(4)</b>
Other	1,195	5,406	(4,451)	(1,172)	15	<b>993</b>
Deferred refurbishment funds	2,348	-	(160)	450	-	<b>2,638</b>
Theo Murphy Fund	1,601	1,252	(1,848)	(773)	5	<b>237</b>
PGA	(4)	46,531	(46,542)	-	-	<b>(15)</b>
<b>Total Restricted Funds</b>	<b>9,963</b>	<b>57,833</b>	<b>(55,566)</b>	<b>(2,020)</b>	<b>783</b>	<b>10,993</b>
<b>Unrestricted Funds</b>						
General Fund	555	556	(129)	(1,053)	71	<b>-</b>
Deferred refurbishment funds	2,808	-	(114)	-	-	<b>2,694</b>
PGA	-	2,265	(2,265)	-	-	<b>-</b>
Revaluation Reserve	46,036	-	-	-	-	<b>46,036</b>
General Purposes	34,661	12,068	(13,003)	3,073	2,841	<b>39,640</b>
<b>Total Unrestricted Funds</b>	<b>84,060</b>	<b>14,889</b>	<b>(15,511)</b>	<b>2,020</b>	<b>2,912</b>	<b>88,370</b>

**22. Movements on Trust and Specific Funds in year** Continued from page 28

	B/Fwd @ 01/04/10 £'000	Income £'000	Expenditure £'000	Admin/ support Transfers £'000	Investment Gain £'000	C/Fwd @ 31/03/11 £'000
<b>Total for all trusts</b>						
Enterprise Fund	4,648	1,633	(215)	(16)	710	<b>6,760</b>
General Fund	25,517	556	(181)	(1,053)	1,497	<b>26,336</b>
International Fund	2,299	51	(16)	(42)	135	<b>2,427</b>
Life Sciences Fund	24,552	541	(519)	(81)	1,422	<b>25,915</b>
Mathematics and Physical Sciences Fund	18,772	414	(116)	(359)	1,103	<b>19,814</b>
RW Paul Instrument Fund	9,833	217	(23)	(33)	579	<b>10,573</b>
Project Funds						
Wolfson Lab Refurbishment	-	1,173	(1,176)	3	-	-
Wolfson Merit Awards	(4)	615	(618)	3	-	<b>(4)</b>
Other	1,201	5,406	(4,451)	(1,172)	15	<b>999</b>
Deferred refurbishment funds	5,156	-	(274)	450	-	<b>5,332</b>
Theo Murphy Fund	51,107	1,393	(1,993)	(773)	2,655	<b>52,389</b>
PGA	(4)	48,796	(48,807)	-	-	<b>(15)</b>
Revaluation Reserve	46,036	-	-	-	-	<b>46,036</b>
General Purposes	34,661	12,068	(13,003)	3,073	2,841	<b>39,640</b>
<b>Total</b>	<b>223,774</b>	<b>72,863</b>	<b>(71,392)</b>	<b>-</b>	<b>10,957</b>	<b>236,202</b>

The Enterprise Fund was created by generous donations in support of the Society in making equity investments in innovative early-stage businesses emerging from the science base in the UK and elsewhere.

The objects of the General Fund are to promote and advance for the general benefit of the public, including the scientific (science, medicine, engineering and technology) community, the efficiency and effectiveness of the Royal Society and its Fellowship. This shall be done in particular by establishing, promoting, supporting and maintaining, for the general benefit of the public and the scientific community, its activities, premises, fixtures and fittings, equipment, libraries and archives, general publications and the history of science.

The objects of the International Fund are to promote and advance for the general benefit of the public, including the scientific (science, medicine, engineering and technology) community the study and investigation of, and research into all areas of science internationally. This shall be done in particular by promoting and carrying out international scientific collaboration, encouraging international interchange between scientists, advancing the engagement of the public in matters related to such international science, and providing the best possible scientific advice and information on international scientific policy.

The objects of the Life Sciences Fund are to promote and advance for the general benefit of the public, including the scientific (science, medicine, engineering and technology) community, the study and investigation of, and research into all areas of life sciences and other science at the interface between this area and other areas of science. This shall be done in particular by supporting scientists working in this area, advancing engagement of the public in all matters relating to such science and providing the best possible scientific advice and information to those making policy in the area of life science.

The objects of the Mathematics and Physical Sciences Fund are to promote and advance for the general benefit of the public, including the scientific (science, medicine, engineering and technology) community, the study and investigation of, and research into all areas of mathematics and physical sciences and other science at the interface between this area and other areas of science. This shall be done in particular by supporting scientists working in this area, advancing engagement of the public in all matters relating to such science and providing the best possible scientific advice and information to those making policy in the area of mathematics and physical science.

Following the Deed of retirement of the other trustees the property and investments of the RW Paul Instrument Fund were transferred to the sole remaining trustee being the Royal Society. The application of the income from the portfolio is restricted to the provision of grants under the Paul Instrument Grants Scheme.

The Theo Murphy Funds (in the UK and Australia) were created through a bequest from the estate of the late Theo Murphy. The funds "shall be used or applied to further scientific discovery in the fields of medicine, science, technology and engineering".

Deferred Refurbishment Funds consist of grant income received in past years in respect of capital projects at Carlton House Terrace. This income was recognised in full upon receipt, and designated / restricted funds created to the value of the relevant assets, which are now being reduced over time in line with the recommended treatment detailed in the SORP 2005.

The Revaluation Reserve relates to the revaluation of the heritage assets.

# Notes to the financial statements

For the year ended 31 March 2011

## 23. Financial commitments

At 31 March 2011 the Society had the following commitments:

- an annual commitment for rent under a non-cancellable operating lease in respect of occupation of 6–9 Carlton House Terrace, London. The future commitment for rent is estimated at £495k (2010-£495k) per annum. The next rent review will be on 5 January 2025.
- agreements and commitments to fund research professorships/fellowships and other grants totalling £102m (2010—£97m). Of these, £40m are due in less than one year, and £62m in between two and five years. There are no grants payable in more than 5 years. All of these grants are treated as liabilities of future periods to which they are time related and will be financed by specific grants or other income receivable in those periods.
- the Society has entered into investment contract commitments totalling £5.8m (2010-£6.6m) payable at dates yet to be agreed.

## 24. Pension obligations

The Royal Society ("the Employer") operates a defined benefit pension arrangement in the UK called the Pension and Life Assurance Plan of the Royal Society ("the Plan"). The Plan is open to new members, and provides benefits on a defined benefit basis.

The FRS 17 liability does not include any allowance for discretionary benefits. The Employer expects to make contributions to the Scheme during the year to 31 March 2012 of £1,043,000.

Contributions payable by the Society during the year were at the rate of 16% of pensionable salaries. Members contributions were 7%. An additional contribution of £1.043m to reduce the deficit was paid into the Plan by the Society in 2010. Life cover and dependents' pensions in respect of death in service are provided by additional insurance premiums.

The Society has implemented the revised FRS 17. The additional disclosures required are set out below.

The Principal assumptions used to calculate Scheme liabilities include:

	2011 %	2010 %	2009 %
Inflation	3.80	3.90	3.20
Salary escalation	4.80	4.90	5.20
Increase to pensions in payment*			
subject to LPI minimum 4%	4.30	4.30	4.10
subject to LPI	3.70	3.80	3.20
Discount rate (pre- and post-retirement)	5.50	5.60	6.80
Pre-retirement mortality table	S1NA	S1NA	A92
Post-retirement mortality table	S1NA	S1NA	PA92
Post-retirement mortality projection	Long Cohort based on Individual Year of Birth	Long Cohort based on Individual Year of Birth	Medium Cohort based on Individual Year of Birth
Tax free cash	0%	0%	0%
Withdrawals	None	None	None

\*Pensions in payment increase by the lesser of the annual increase in the retail price index or 5%. For service prior to 1 November 2001 this is subject to a minimum increase of 4%.

Under the mortality tables and projections adopted, the assumed future life expectancy at age 60 is as follows;

	2011	2010	2009
Male currently aged 40	28.5 years	28.4 years	28.0 years
Female currently aged 40	31.1 years	31.0 years	30.8 years
Male currently aged 60	27.2 years	27.1 years	26.8 years
Female currently aged 60	30.0 years	29.9 years	29.8 years



**24. Pension obligations** Continued from page 30

	Long Term rate of return expected at 31/03 2011*	Long Term rate of return expected at 31/03 2010*	Long Term rate of return expected at 31/03 2009*
Scheme's assets	6.0%	6.3%	5.2%

\*The expected return on assets is a weighted average of the assumed long-term returns for the various asset classes

**Assets**

An approximate summary of the asset allocation is as follows:

	2011	2010	2009
Equities	78.0%	78.8%	42.3%
Property	0.0%	0.0%	0.0%
Gilts	4.0%	0.0%	0.0%
Bonds	12.0%	16.9%	14.9%
Cash	6.0%	1.2%	42.5%
Other	0.0%	3.1%	0.3%

The assets do not include any investment in shares of the Employer.

**Amounts Recognised in the Balance sheet at 31 March 2011**

	Value at 31/03/11 £'000	Value at 31/03/10 £'000
Fair Value of Assets	22,795	18,673
Present Value of Funded Obligations	(25,084)	(23,202)
Scheme Surplus / (Deficit)	(2,288)	(4,529)

**Amounts disclosed on the balance sheet are made up of:**

	Value at 31/03/11 £'000	Value at 31/03/10 £'000
<b>Liabilities</b>		
Present value of Funded Obligations	(25,084)	(23,202)
Present Value of Unfunded Obligations	-	-
Unrecognised Past Service Costs	-	-
Other liabilities	-	-
<b>Assets</b>		
Fair Value of Assets	22,795	18,673
Asset not recognised due to limit on recognisable surplus	-	-
<b>Net Liability</b>	<b>(2,288)</b>	<b>(4,529)</b>

**Statement of Financial Activities - Actuarial Gains**

	Value at 31/03/11 £'000	Value at 31/03/10 £'000
Actuarial Gains and Losses	1,565	(2,413)
Effect of limit on recognisable surplus	-	-
<b>Total</b>	<b>1,565</b>	<b>(2,413)</b>

# Notes to the financial statements

For the year ended 31 March 2011

## 24. Pension obligations Continued from page 31

### Account Recognised in the Statement of Financial Activities - Operations

	Value at 31/03/11 £'000	Value at 31/03/10 £'000
Current Service cost	(941)	(535)
Interest cost	(1,324)	(1,082)
Expected return on assets	1,229	712
(Gain)/Losses on settlements or curtailments	-	-
Past Service cost	-	-
Effect of limit on recognisable surplus	-	-
<b>Total</b>	<b>(1,036)</b>	<b>(905)</b>

### Reconciliation of Assets and Defined Benefit Obligation

The change in assets over the period was:

	Value at 31/03/11 £'000	Value at 31/03/10 £'000
<b>Fair value of assets at the beginning of the period</b>	<b>18,673</b>	12,920
Expected return on assets	1,229	712
Contributions by the Employer	1,711	1,643
Contributions by Scheme participants	286	277
Benefits paid	(316)	(251)
Actuarial gain on assets only	1,212	3,372
Change due to settlements or curtailments	-	-
<b>Fair value of assets at the end of the period</b>	<b>22,795</b>	18,673

The change in defined benefit obligation over the period was:

	Value at 31/03/11 £'000	Value at 31/03/10 £'000
<b>Defined benefit obligation at the beginning of the period</b>	<b>23,202</b>	15,774
Current service cost	941	535
Contributions by Scheme participants	286	277
Past service cost	-	-
Interest cost	1,324	1,082
Benefits paid	(316)	(251)
Actuarial (gain)/loss (excluding the actuarial gain/(loss) on assets)	(353)	5,785
Change due to settlements or curtailments	-	-
<b>Defined benefit obligation at the end of the period</b>	<b>25,084</b>	23,202

### Summary of Prior Year Amounts (all values in £'000)

Period to	31/03/11	31/03/10	31/03/09	31/03/08
Present value of defined Benefit obligation	25,084	23,202	15,774	16,477
Scheme Assets	22,795	18,673	12,920	16,321
Scheme (Deficit)	(2,288)	(4,529)	(2,854)	(156)
Experience gains and losses on Scheme liabilities	589	975	(132)	(99)
Changes in assumptions used to value Plan liabilities	(236)	(6,760)	2,157	3,881
Experience adjustments on Scheme assets	1,212	3,372	(4,615)	(1,370)

## 25. Subsidiary undertakings

The Society owns 100% of the £1 called-up and issued share capital of Carlton House Terrace Developments Limited. The principal activity of that company is the redevelopment of the interior of 6–9 Carlton House Terrace, London; the property occupied by the Society. The company did not trade during the year.

The Society also owns 100% of the £1 called-up and issued share capital of The Royal Society Enterprise Fund Limited. The principal activity of that company is providing advice to the Society in its application of the Enterprise Fund. The Company started trading in the period to 31 March 2009, and traded exclusively with the Society in the period ended 31 March 2011.

The Society also owns 100% of the £1 called-up and issued share capital of The Royal Society Trading Limited. The Royal Society Trading Limited company has been set up to process all external activities that occur at the Kavli Royal Society International Centre. The Company started trading on 1st June 2010.

### Results of the Royal Society Enterprise Fund Limited Period Ended 31 March 2011;

	2011 £'000	2010 £'000
Trading income	388	395
Cost of sales	(388)	(395)
<b>Result for the period</b>	-	-
Total funds brought forward at 1 April 2010	-	-
Total funds carried forward at 31 March 2011	-	-

The Royal Society Enterprise Fund Limited has Called up share capital of £1.

### Results of the Royal Society Enterprise Fund Limited Period Ended 31 March 2011;

	2011 £'000	2010 £'000
Trading income	200	-
Cost of sales	(126)	-
<b>Gross Profit</b>	74	-
Administrative expenses	(20)	-
Charitable donation to the Royal Society	(54)	-
<b>Result for the period</b>	-	-
Total funds brought forward at 1 April 2010	-	-
Total funds carried forward at 31 March 2011	-	-

# Notes to the financial statements

For the year ended 31 March 2011

## 25. Subsidiary undertakings Continued from page 33

### Balance Sheet of the Royal Society Trading Limited Period Ended 31 March 2011;

	12 months ending 31/03/11 £'000	8 months ending 31/03/10 £'000
<b>Current assets</b>		
Debtors	61	-
Cash at bank and in hand	134	-
	<b>195</b>	-
<b>Creditors:</b> amounts falling due within one year	<b>(195)</b>	-
<b>Net Current assets</b>	-	-
<b>Net assets</b>	-	-
<b>Capital and reserves</b>		
Called up share capital	-	-
Profit and loss account	-	-
<b>Shareholders' funds</b>	-	-

The Royal Society Trading Limited has Called up share capital of £1.

The Royal Society (Australia) Pty Limited is the Trustee of the Royal Society Theo Murphy (Australia) Fund. It is an Australian company the shares of which are owned by the Society.

#### Consolidation of subsidiary accounts.

Only the consolidated balance sheet has been shown on page 16, as it was considered that the Society's own balance sheet is not significantly different from the position shown by the Group balance sheet given the subsidiaries' activities are highly immaterial within the Group.

The Society's own net assets and reserves in its balance sheet at 31 March 2011 were £236m.

## 26. Connected Charities – The Wolfson Research Professorship of the Royal Society

### Amounts disclosed on the balance sheet are made up of:

	2011 £'000	2010 £'000
<b>Restricted Funds</b>		
Incoming resources:		
Dividends and interest	46	45
Resources expended:		
Charitable grants to the Royal Society	(46)	(45)
	-	-
<b>Permanent Endowment Funds</b>		
Total funds brought forward at 1 April 2010	1,040	1,013
<b>Total funds carried forward at 31 March 2011</b>	<b>1,040</b>	<b>1,013</b>

## 27. Other funds

### The Society is the beneficiary of the following funds:

	<b>2011 Investment Market Value £'000</b>	2010 Investment Market Value £'000
<b>Curl Fund</b>		
The investments for this fund are held and managed by the New Zealand Public Trust Office	<b>84</b>	38
<b>Horace Le Marquand and Dudley Bigg Trust</b>		
The investments of the permanent endowment of the Trust are held and managed by Rensberg Sheppards. The Trustees are Investec Trust (Jersey) Limited.	<b>441</b>	429

# Parliamentary Grant-in-Aid

Summary of Income and Expenditure for the year ending 31 March 2011

	Invest in future scientific leaders and in innovation £'000	Influence policymaking with the best scientific advice £'000	Invigorate science and mathematics education £'000	Increase access to the best science internationally £'000	Inspire an interest in the joy, wonder and fulfilment of scientific discovery £'000	Support and Central Expenses £'000	<b>2011 Total £'000</b>	2010 Total £'000
<b>Parliamentary Grant-In-Aid</b>								
<b>Income</b>								
Department of Business, Innovation and Skills grant received in year	39,463	-	290	6,240	300	2,265	<b>48,558</b>	45,823
Transfer (from) /to prior years	-	-	-	198	-	-	<b>198</b>	(112)
Refunds	411	-	-	280	-	-	<b>691</b>	727
	39,874	-	290	6,718	300	2,265	<b>49,447</b>	46,438
<b>Expenditure</b>								
<b>Grant and activity costs</b>								
(Outstanding)/prepaid 1 April 2010	252	-	-	(256)	-	-	<b>(4)</b>	554
Out-turn for the year	39,658	-	308	6,835	382	2,265	<b>49,448</b>	46,438
(Outstanding)/prepaid 1 April 2011	-	-	-	15	-	-	<b>15</b>	4
	39,910	-	308	6,594	382	2,265	<b>49,459</b>	46,996
	(36)	-	(18)	124	(82)	-	<b>(12)</b>	(558)
<b>Deposit interest</b>								
Interest receivable							<b>9</b>	1
Surrenderable to the Department of Business, Innovation and Skills							<b>(9)</b>	(1)
<b>Total</b>								
							<b>-</b>	-
<b>Surplus of income over expenditure</b>								
Surplus/(deficit) for the year							<b>(12)</b>	(558)
Balance as at 31 March 2010							<b>(4)</b>	554
<b>Balance as at 31 March 2011</b>								
							<b>(16)</b>	(4)
<b>Represented by:</b>								
Grants partly prepaid							<b>-</b>	252
Balance at bank							<b>(11)</b>	205
							<b>(11)</b>	457
Grants due for payment within one year							<b>(16)</b>	(256)
Amount repayable to the Department of Business, Innovation and Skills.							<b>11</b>	(205)
							<b>(16)</b>	(4)

# Parliamentary Grant-in-Aid

Summary of Income and Expenditure for the year ending 31 March 2011

	Parliamentary Grant-in-Aid Received £'000	Refunds £'000	Grants & Subscriptions £'000
<b>Invest in future scientific leaders and in innovation</b>			
Research Professors	1,695	78	1,682
University Research Fellows	25,743	178	25,529
Dorothy Hodgkin Fellows	3,975	90	3,740
Japan 2+2 Fellows	-	-	-
Diversity	30	-	29
Industry Fellows	546	-	547
Research Support	4,373	-	4,126
Research Merit Awards	2,000	-	2,003
Innovation Awards	-	-	-
Rosalind Franklin Award	40	-	40
Relocation Fellowship Grants	-	20	16
Research Grants	1,061	45	2,198
	<b>39,463</b>	<b>411</b>	<b>39,910</b>
<b>Invigorate science and mathematics education</b>			
Education Policy Advice	100	-	94
Education Grants	100	3	117
Education Events/ Resources for Schools	50	-	57
Education External Activities	40	-	40
	<b>290</b>	<b>3</b>	<b>308</b>
<b>Increase access to the best science internationally</b>			
New Frontiers	30	-	122
International Activities	66	-	96
Capacity building	146	-	172
International Seismological Centre	70	-	69
Travel Grants	1,000	101	1,103
Joint Projects	1,400	138	1,952
International Fellowships	2,818	40	2,261
Science in Africa	100	1	99
RS Research Projects	-	-	-
International Subscriptions	400	-	461
International Meetings in UK	210	-	266
	<b>6,240</b>	<b>280</b>	<b>6,601</b>
<b>Inspire an interest in the joy, wonder and fulfilment of scientific discovery</b>			
Medals, Lectures and Awards	100	-	112
Summer Science Exhibition	115	-	216
Training for Scientists	25	-	38
Adhoc Activities	60	-	16
	<b>300</b>	<b>-</b>	<b>382</b>
<b>Support and Central Expenses</b>			
Rent	495	-	495
Operating Costs	1,770	-	1,770
	<b>2,265</b>	<b>-</b>	<b>2,265</b>
<b>Total</b>	<b>48,558</b>	<b>694</b>	<b>49,466</b>

Dr Julie Maxton, Executive Director

7 July 2011







## The Royal Society

The Royal Society is a Fellowship of more than 1400 outstanding individuals from all areas of science, mathematics, engineering and medicine, who form a global scientific network of the highest calibre. The Fellowship is supported by over 130 permanent staff with responsibility for the day-to-day management of the Society and its activities.

The Royal Society has had a hand in some of the most innovative and life changing discoveries in scientific history. It supports the UK's brightest and best scientists, engineers and technologists; influences science policy both in the UK and internationally; facilitates research collaboration with the best researchers outside the UK; promotes science and mathematics education and engages the public in lectures and debates on scientific issues.

Through these activities, the Society ensures that its contribution to shaping the future of science in the UK and beyond has a deep and enduring impact.

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