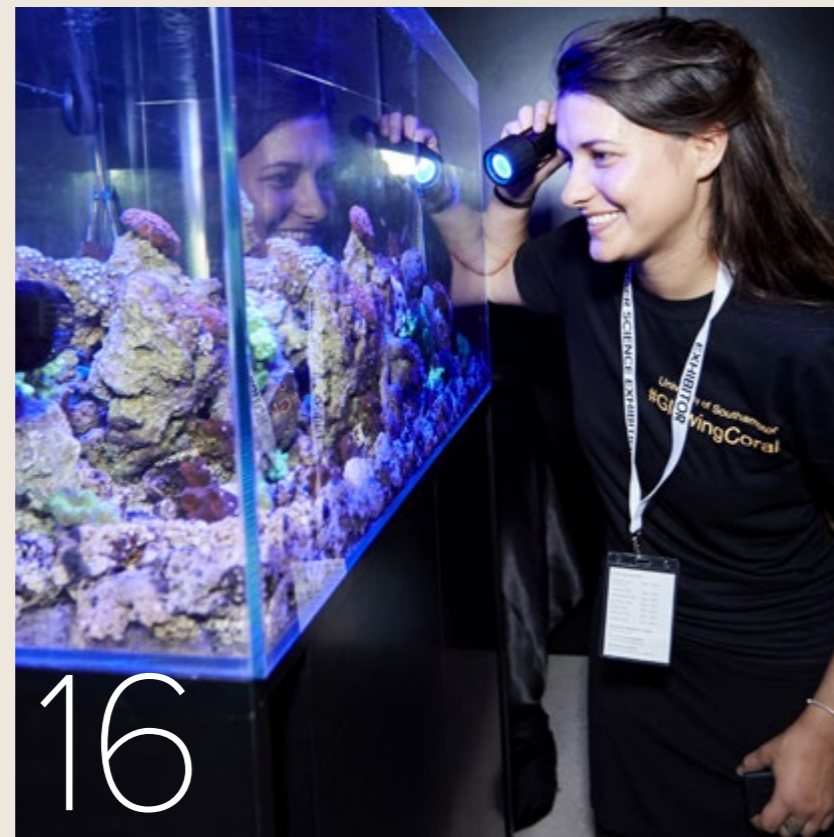




# Trustees' report and financial statements

For the year ended 31 March 2018

THE  
ROYAL  
SOCIETY



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**Images:**  
 Top: Royal Society Research Fellows induction day 2017.  
 Above left: Participants at the Commonwealth Science Conference 2017. © National Research Foundation Singapore.  
 Above right: exhibitor at the Royal Society Summer Science Exhibition 2017.

# The Royal Society

The [Royal Society of London for Improving Natural Knowledge](#), commonly known as the [Royal Society](#), is a self-governing [Fellowship](#) of many of the world's most distinguished scientists.

Fellows and Foreign Members from across the globe are elected based on the excellence of their science.

As at 31 March 2018, there were 1,462 Fellows and 170 Foreign Members from over 30 different countries, including 74 Nobel Laureates.

As a national academy, the Society represents the UK and collaborates with international partners to advocate for science and its benefits. It provides authoritative and independent advice on matters of science that support the public good, including policies that promote excellent science and scientific issues that inform public policy. It also organises scientific conferences and publishes scientific journals.

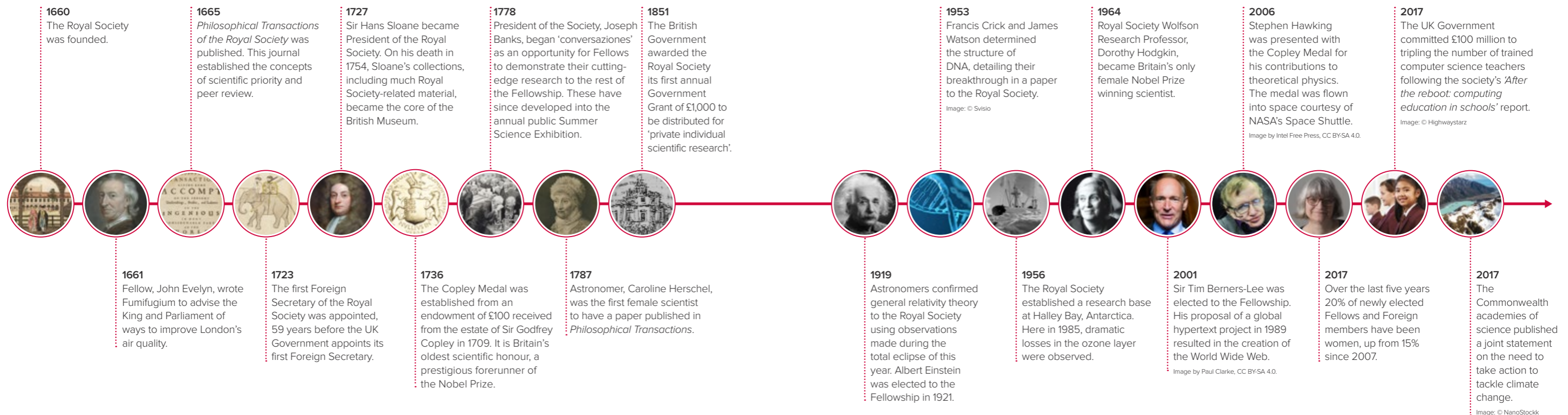
## Public benefit

The Society's mission is to recognise, promote and support excellence in science and to encourage the development and use of science for the benefit of humanity. Research and innovation advance our economic, social and cultural well-being, provide health benefits and are key to sustainable long-term economic growth. The Society is concerned with excellent science, wherever and by whomever it is done and is committed to increasing diversity in science, technology, engineering and mathematics (STEM).

As a registered charity, the Society undertakes a range of activities that provide public benefit either directly or indirectly. These include:

- providing financial support for scientists at various stages of their careers in the UK and internationally;
- funding programmes that advance understanding of our world;
- organising discussion meetings to advance science;
- providing expert scientific advice to policy-makers, including on science education;
- promoting the importance of science internationally; and
- staging programmes to engage the public with science.

## OUR HERITAGE



## President's foreword



Science is integral to our lives and is becoming increasingly so. As the national academy of science, the Royal Society has a duty to ensure that science and technology are developed appropriately, and in a manner that is understood and welcomed by society. We do that by identifying and supporting the best people and ideas and by seeking to inspire and engage the public with science and its potential to benefit people and how they live their lives.

Our Fellows are among the world's leading scientists and it is their expertise and commitment that allow the Society to flourish. The winner of last year's [Copley Medal](#), Richard Henderson FRS, was awarded the Nobel Prize for Chemistry. His work on cryo-electron microscopy has allowed us to see the workings of life more clearly.

Science is global and one of the biggest challenges to ensuring the UK continues to play a leading role in the pursuit of knowledge is the UK's decision to leave the EU. Over the last year the Society has been very active in [making the case for the closest possible relationship between UK and EU science](#).

Alongside many other activities, I have personally attended a number of high level gatherings hosted by Government ministers involved in the negotiations. The Society has continued to push for recognition of the importance of the mobility of people and ideas, the crucial role of diverse funding and the importance of cooperation on regulation. All parties seem to recognise that the closest possible relationship after Brexit is in everyone's best interests and we will continue to press to ensure that science and innovation remain priorities in the negotiations.

The UK Government has continued to champion science at home. The Society is a strong advocate for investment in research, and alongside our colleagues in the Academy of Medical Sciences, British Academy and Royal Academy of Engineering, we called for the Government to commit to ensuring that the UK invests 3% of GDP in research and innovation. In November 2017, we were pleased that the Government committed to a target of 2.4% of GDP by 2027 with a longer term goal of reaching 3%.

As well as supporting the development of science, the Society is also committed to ensuring that it is used to benefit humanity. Two major areas the Society has engaged with are [artificial intelligence](#) and [genome editing](#). We have undertaken two major pieces of public engagement work and in talking with the public on these issues we have found that they are positive about their potential to improve our lives but also have some understandable reservations. The Society is committed to ensuring that the public are listened to as well as informed on these topics so that they can make the decisions on who benefits and how far we go with these technologies.

**Venki Ramakrishnan,**  
President of the Royal Society

“... the Society has been very active in making the case for the closest possible relationship between UK and EU science.”

## Executive Director's report

Science and innovation are key to solving many global challenges and are central to driving economic prosperity. During the year, the Society experienced significant growth, increasing expenditure by 16% to over £100 million, and expanding many of its activities, in particular its grants programmes.

Investing in supporting outstanding people and their ideas through the National Productivity Investment Fund in particular has enabled 377 additional awards to be made to scientists working on a wide range of areas, from quantum cosmology and DNA nanotechnology, to sustainable materials and evolution of the nervous system.

Diversity is a big challenge in many areas and no less so in science. Women represent close to 9% of our Fellowship which is up from 7% two years ago but is still nowhere near enough. In the Society's grant schemes the number of women who are successful broadly matches the percentage who apply but again the Society would like to see more applications from women and other underrepresented groups.

The [Commonwealth Science Conference](#), co-hosted by the Society and the National Research Foundation in Singapore brought together scientists from 36 countries to discuss common challenges including infectious diseases, the future of the oceans, low carbon energy and sustainable cities. It also resulted in follow up grants going to scientists from 16 different Commonwealth countries who want to pursue conversations and ideas sparked by the conference.

In terms of funding international research the Society has awarded £13.5 million from the [Government's Global Challenges Research Fund](#), the [Newton Fund and the Department for International Development](#). This work not only advances science but also plays important roles in fostering international cooperation and building scientific capacity.

Following on from the work undertaken last year to bring together scientists and members of the judiciary, the Royal Society has continued to work with the Royal Society of Edinburgh to produce [legal primers on DNA analysis](#) and gait analysis that have been distributed to courts to assist the judiciary when handling scientific evidence in the courtroom.

The Society has continued to pursue its goal of seeking to ensure that by 2030 all pupils will study science and maths to 18 as part of a broad based curriculum. This will be vital to ensuring the UK workforce has the skills required for the workplace of the future. Computing skills will be a major part of that and the [After the reboot: computing education in schools](#) report put the issue high on the political and news agenda. In the Budget the Government committed £100 million to tripling the number of trained computer science teachers.

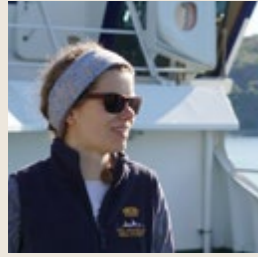
I want to finish by reflecting on the number of people the Society has shared its passion for science with this year. Whether it is the 14,000 people who came through our doors for the [Summer Science Exhibition](#), an opportunity to talk face to face with the scientists at the cutting edge of research or the 3 million plus people who watched our [People of Science](#) films, I am proud of the role of the Society in helping to inspire a joy in and genuine engagement with science.

**Dr Julie Maxton,**  
Executive Director of the Royal Society



“Science and innovation are key to solving many global challenges and are central to driving economic prosperity.”

## UNIVERSITY RESEARCH FELLOWSHIP



“I love my research field because it's so relevant to our concerns about our impact on the oceans, and I feel that I can make a difference to how we perceive our planet and our impact on the world around us.”

Dr Katharine Hendry,  
University of Bristol

### The role of ocean circulation on the marine silicon cycle and global climate

Climate change and how to tackle it are challenges faced by governments and countries around the world.

Scientists are trying to understand the natural factors that control greenhouse gases such as carbon dioxide. Oceanographers, like Dr Kate Hendry, play a key role because oceans are a substantial part of the climate. Oceans transport heat and carbon, and host marine algae that absorb carbon from the atmosphere and convert it into organic matter. Algae, such as diatoms, are responsible for nearly half of the carbon absorbed into the deep ocean, so knowing how they 'work' is an important piece of the climate puzzle.

Diatoms also need dissolved silicon to grow their protective shells and absorb carbon. Dr Hendry's Fellowship has enabled her to research how silicon is supplied to the oceans and how it is cycled through its different constituent parts, both in modern and in past oceans. Her work takes her to the climatically sensitive polar regions, where she identifies past changes in marine silicon cycling by using the chemistry of deep-sea sediments. This offers a deeper insight into oceans and their role in climate change.

Dr Hendry is a University Research Fellow working across the Departments of Earth Sciences, Biochemistry and Geography. The University Research Fellowship is celebrating its 35th anniversary in 2018. The scheme provides a pathway into independent research with researchers becoming recognised experts within their field.

## RESEARCH PROFESSORSHIP



“The Research Professorship has been crucial for me. It really has allowed me to focus on the science and it will allow us to obtain the spectacular results that we long planned for and for which the instruments were designed.”

Professor Michele Dougherty,  
Imperial College London

### Cassini grand finale science and JUICE science preparation

Professor Michele Dougherty is a pioneering space physicist and a member of the team who carried out unmanned exploratory missions to Saturn. She will also be part of a mission to explore Jupiter in 2032.

Her work contributed to the exciting discovery of an atmosphere containing water and hydrocarbons around Saturn's moon Enceladus — opening up new possibilities in the search for life.

As Principal Investigator for the magnetometer (MAG) instrument on board the Cassini spacecraft, Professor Dougherty joined the mission to explore Saturn and its neighbourhood. She and her team measured the level and direction of magnetic materials from the environment around Saturn and the moons visited by Cassini. Her innovative use of magnetic field data has therefore had an enormous impact on our understanding of the moons in our solar system.

Professor Dougherty was the Science Definition Team Lead for the European Space Agency's JUICE spacecraft, scheduled to go into orbit around Jupiter's largest moon, Ganymede, in 2032. She was also selected as Principal Investigator for JUICE's magnetometer.

The Research Professorship provides long term support for world-class senior researchers allowing them to focus on their research for extended periods of time. It is the Society's premier senior award.

# Our strategy

## Our strategic priorities 2017 to 2022

### PROMOTING EXCELLENCE IN SCIENCE



The Society's aim is to harness the expertise of its Fellowship to ensure that excellence in science is recognised and supported and that scientific work is of the highest quality.

### SUPPORTING INTERNATIONAL SCIENTIFIC COLLABORATION



Science is an inherently international activity. The Society's aim is to reinforce the importance of science to build partnerships between nations, promote international relations and science's role in culture and society.

### DEMONSTRATING THE IMPORTANCE OF SCIENCE TO EVERYONE



Science is influenced by culture and other developments in society just as scientific thinking and innovation influence how people live their lives. It is important that the Society engages with different groups in society and with the public in general to find out about their experiences, listen to their views and to make science part of wider conversation.

#### Images (left to right):

Peter Grant FRS and Rosemary Grant FRS jointly received the Royal Medal in 2017 for their research on the ecology and evolution of Darwin's finches on the Galapagos; Participants at the Commonwealth Science Conference, Singapore © National Research Foundation Singapore; and visitors at the Summer Science Exhibition Lates.

# PROMOTING EXCELLENCE IN SCIENCE

## OUR OBJECTIVE

The Society's aim is to harness the expertise of its Fellowship to ensure that excellence in science is recognised and supported and that scientific work is of the highest quality. We aim to achieve this by:

- advocating for the conduct of excellent science and the establishment of the best environment for researchers in the UK and the Commonwealth
- using evidence to demonstrate the economic and societal benefits of investment in research and innovation and working with partners to advocate strongly for a properly funded research system
- ensuring that UK scientists are able to participate fully in new and existing international funding regimes and have access to international infrastructure
- attracting and retaining talented researchers to UK science by providing funding to support individual scientists, giving them freedom to follow their best research ideas including curiosity driven and applied research
- recognising outstanding contributions to science across the world
- designing new activities that encourage and support researchers to develop science and technology innovations that will benefit society and contribute to the UK economy
- increasing scientific understanding by publishing journals with a sustainable open access publications business model
- preserving, disseminating and developing the Society's historical collections and using them to support high quality academic study of the history of science

## OUR ACHIEVEMENTS

# PROMOTING EXCELLENCE IN SCIENCE

In 2017/18, the Royal Society invested £73.2 million in outstanding scientists, who are pushing the boundaries of human understanding by pursuing both discovery-led and applied research across natural sciences and engineering, and who are developing new technologies through the Society's industry and innovation schemes.

## NUMBER OF GRANTS AWARDED

	2017/18	2016/17	
Early-career researchers	625	288	▲117%
International collaborations and travel	394	280	▲41%
Capacity building	157	135	▲16%
Established researchers	63	59	▲7%
Industry, innovation and translation	49	26	▲88%
Novelty and discovery across disciplines	6	7	▼14%
Equipment and infrastructure	6	8	▼25%
<b>GRAND TOTAL</b>	<b>1,300</b>	<b>803</b>	<b>▲62%</b>



Sir Andrew Wiles FRS

In 2017, the Copley Medal, the world's oldest scientific prize, was awarded to Sir Andrew Wiles, the mathematician who cracked the centuries old challenge of Fermat's last theorem. The 2016 winner, Dr Richard Henderson FRS, went on to win the Nobel Prize for Chemistry.

[In 2017, 51 new Fellows and 10 Foreign Members were elected.](#)

The Society is committed to increasing [diversity in STEM](#), and to ensuring that studying and working in science are open to all. Grant schemes are promoted using case studies that reflect diversity to better attract participation from underrepresented groups. Unconscious bias guidance is provided to all our grant reviewers, and we collect diversity data at all stages of the grant awarding process.

In the Fellowship, this year saw 26% of new Fellows and 20% of new Foreign Members elected being women. Overall women make up close to 9% of Fellows and Foreign Members. Since 2007 women have accounted for 15% of all newly elected Fellows and Foreign members and the trend can be seen to be accelerating over the last five years, with women making up 20% of those elected.

In 2016, the Royal Society, together with the Academy of Medical Sciences, the British Academy and the Royal Academy of Engineering called on Government to commit to ensuring that the UK invests 3% of GDP in research and innovation. In November 2017, the Government committed to a target of 2.4% of GDP by 2027 with a longer term goal of reaching 3%.

The Royal Society has appointed 19 Entrepreneurs in Residence from companies such as Shell, GSK and Siemens. They will spend 20% of their time supporting UK universities in translating their world-leading research into new businesses and commercial products.

In order to ensure the greatest openness and transparency in research, the Royal Society supports open access publishing where readers can access research results for free. In 2017/18, 44% of papers published in [our journals](#) were freely available straight away.

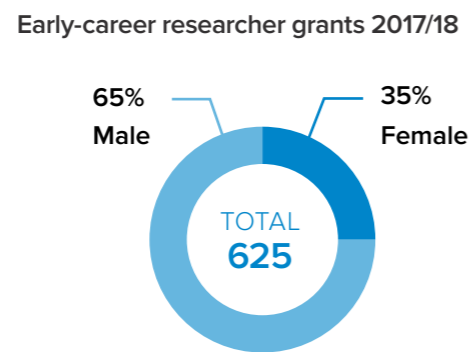
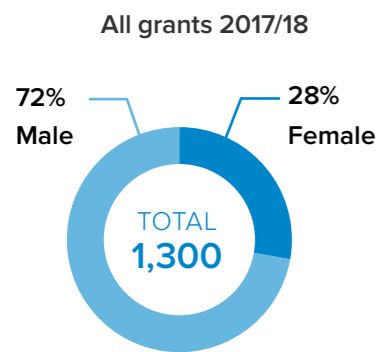
This year the Society re-digitised its entire journal archive back to 1665, some ¾ million pages that would fill 53 metres of shelving, and made it available online to bring it to new audiences.



**Professor Jennifer Doudna ForMemRS**

In March 2018, Professor Jennifer Doudna, who developed the CRISPR-Cas9 technology that is revolutionising the fields of genetics, molecular biology and medicine, spoke at the Royal Society's *Transforming our future conference – The CRISPR revolution: changing life*.

**GRANTS AWARDED (BY GENDER)**



**LOOKING FORWARD**  
**2018/19**



- The Society will invest an additional £16.9 million in its grants programmes, which will enable us to support even more outstanding scientists.
- The Society will publish a report on 35 years of funding early-career scientists assessing the achievements of the people we have supported.
- The Society and its partners will be monitoring progress on achieving the Government's commitment to investing 2.4% of GDP in research and innovation by 2027 and holding the Government to account.
- The Society will be looking at research culture in the UK and hosting a major conference to discuss ways to ensure the best possible environment for researchers to succeed in their work.
- The Society will develop a new regional programme, Creating Connections, which will bring together businesses, researchers and local influencers to explore the opportunities that new technology can present for research-active businesses in different parts of the UK.

**APEX AWARD**



**“Most other calls for interdisciplinary research funding want to encourage new collaborations. The APEX award fills a key gap in the research funding landscape.”**

Professor Rama Cont, Imperial College London and Bank of England

**Systemic risk: mathematical modelling and interdisciplinary approaches**

The 2008 global recession is seen by many economists as the worst financial crisis since the Great Depression of the 1930s. What caused it?

Professor Rama Cont intends to unravel what happened and whether it was a preventable crisis. Through mathematical modelling, his research examines which features of the banking system cause stability and instability, and whether the unstable features can be mitigated.

His research has already had an impact on the Bank of England as part of their systemic risk monitoring programme.

He was one of the first recipients of the interdisciplinary APEX award, a partnership between the Royal Society, the British Academy and the Royal Academy of Engineering with funding from the Leverhulme Trust. The awards promote collaborations across disciplines for outstanding researchers, allowing them to focus on genuine curiosity-driven research projects.

Professor Cont's research spans multiple disciplines such as risk, finance, economics, mathematics, probability and policy. Conventional funding opportunities often have narrow remits and leave interdisciplinary researchers at a disadvantage.

# SUPPORTING INTERNATIONAL SCIENTIFIC COLLABORATION

## OUR OBJECTIVE

Science is an inherently international activity. The Society's aim is to reinforce the importance of science to build partnerships between nations, promote international relations and science's role in culture and society. We aim to achieve this by:

- taking a lead in ensuring that the UK plays an influential role in international science through proactive engagement with international scientific organisations
- working with UK and international partners to support developing countries especially in Africa and the Commonwealth to build their scientific capability
- working with partners to address global issues and challenges including those set out in the Sustainable Development Goals
- developing a world-leading series of Royal Society Discussion Meetings which bring outstanding international scientists together to advance scientific knowledge and generate new ideas

## OUR ACHIEVEMENTS

# SUPPORTING INTERNATIONAL SCIENTIFIC COLLABORATION

In June 2017, the Royal Society brought together 450 scientists from 36 different countries to celebrate excellence in science across the Commonwealth. Its focus was to inspire young scientists, provide opportunities for cooperation between researchers, build understanding about policy issues of common interest and encourage scientific capacity building across the Commonwealth.

As part of the programme, the Society invited the Presidents of the Commonwealth Science Academies to come together to discuss how we might work together to advance science within the Commonwealth.

The Commonwealth academies of science published a joint statement on the need for action to tackle climate change. This first ever joint Commonwealth Academy statement, which represents the consensus views of tens of thousands of scientists, urges Commonwealth Governments to take further action to achieve net-zero greenhouse gas emissions during the second half of the 21st century.



**Above:** Map showing the 36 countries represented at the Commonwealth Science Conference.

**Below:** Participants at the Commonwealth Science Conference, Singapore. © National Research Foundation Singapore.





Since the Brexit vote, the Royal Society has been advocating for issues around mobility of scientists, funding and regulation to be addressed in the negotiations. In the last year, the Government has taken steps to assure those EU researchers already in the UK that they will be free to remain here after Brexit, and committed the UK to remaining a full member of the EU Horizon 2020 funding programme until its completion.

The newly launched Research and Innovation Talent Visa, for which the Royal Society endorses candidates, will also enable top researchers from outside the European Economic Area (EEA) to come to the UK.

### SCIENTIFIC MEETINGS IN 2017/18

The Royal Society runs a series of internationally renowned [scientific meetings](#) that bring together leading scientific experts to discuss the latest research and to develop knowledge of their field.



The Society works with the United Nations and World Health Organisation to ensure that scientific knowledge is shared globally by providing free access to our scientific journals in over 100 developing countries.



### THE GLOBAL CHALLENGES RESEARCH FUND (GCRF)

The Global Challenges Research Fund (GCRF) is part of the UK's official development assistance (ODA). Its aim is to support cutting-edge research and innovation that addresses the global issues affecting developing countries.

The Royal Society is a delivery partner for the GCRF and runs a range of GCRF programmes.



## LOOKING FORWARD 2018/19



- The Society will be providing £5.2 million in funding for scientists from the Government's Global Challenges Research Fund, in order to support cutting-edge research that addresses the challenges faced by developing countries.
- As part of the final Brexit deal the Royal Society will continue to call for:
  - the easiest possible flow of people and ideas between the UK and EU; and
  - the closest possible association for the UK to future EU research funding programmes.
- We will look to further international debate on the use of genetic technologies and work with leading scientists from around the world to host an international summit on human genome editing in Hong Kong.
- In tandem with the Commonwealth Heads of Government Meeting in London, the Society will host a meeting of national scientific advisors to discuss how we might work together to advance science within the Commonwealth.

### NEWTON INTERNATIONAL FELLOWSHIP



“The media skills training course has improved my skills in conveying my research to those inside and outside of the world of academia.”

Dr Victoria McCoy,  
University of Leicester

#### Soft tissue preservation in amber

Palaeontologist Dr Victoria McCoy is uncovering the secrets of ancient fossils trapped in amber.

She is identifying proteins from fossils preserved in amber in order to fully understand the biology of extinct animals.

The Newton International Fellowship allowed Dr McCoy to utilise internationally renowned experimental fossilisation, organic chemistry and ancient proteins labs at the Universities of Leicester and York. The grant also funded her research and travel expenses.

Dr McCoy travelled to the UK from the USA to undertake her Newton International Fellowship with the co-supervision of Dr Sarah Gabbott in the Department of Geology at the University of Leicester. The Newton International Fellowship provides support for outstanding early-career researchers from across the world to conduct two year fellowships in the UK with the aim of developing lasting international collaborations.

This exciting research could lead to further work looking at the sequencing of ancient proteins which could revolutionise our understanding of many extinct animals. With this knowledge it is easier to understand the evolution of living organisms, and develop a thorough comprehension of the history of life on Earth.

## DEMONSTRATING THE IMPORTANCE OF SCIENCE TO EVERYONE

### OUR OBJECTIVE

Science is influenced by culture and other developments in society just as scientific thinking and innovation influence how people live their lives. It is important that the Society engages with different groups in society and with the public in general to find out about their experiences, listen to their views and to make science part of wider conversation. We aim to achieve this by:

- taking a lead in the provision of authoritative, accessible and independent scientific evidence to policy makers and other stakeholders on issues of public interest
- developing a programme of engagement with influential groups in society to ensure that science and scientific evidence is considered as part of wider debate
- increasing public dialogue to ensure that the views of the wider public are built into the development of its policy and other work
- inviting people to engage with science and scientists through public events and activities and work in partnership with museums, galleries and other cultural organisations to reach new audiences
- using the Society's extraordinary collections to excite audiences about science and including history of science within the Society's public engagement programme
- continuing to advocate for the importance of science and maths education in order to equip young people with the skills they need for the future, including through support for high quality teaching and technical assistance and by encouraging young people to take part in research projects
- promoting the Society's work through appropriate media channels and increase the Society's engagement with relevant audiences through digital communications including social media

### OUR ACHIEVEMENTS

## DEMONSTRATING THE IMPORTANCE OF SCIENCE TO EVERYONE

The Royal Society published reports on [machine learning](#) and [data governance](#) outlining the potential for the technologies but also calling for their use to be the subject of a well-informed public debate.

In [Data management and use: data governance in 21st century](#), the Royal Society and the British Academy called for the creation of an independent body to steward the governance landscape as a whole. In its industrial strategy, published in November, the Government committed £9 million to establish a world leading Centre for Data Ethics and Innovation.

In March, the Royal Society published the results of a major programme of public consultation on the potential uses of genetic technologies.

The President of the Royal Society, Professor Venki Ramakrishnan, called for reforms of the A-level system to create a broad based curriculum where all students study science and maths to age 18.

The Royal Society's [After the reboot: computing education in UK schools](#) explored the state of computing education in the UK. Among the conclusions was the need for a major increase in investment to address the issue that pupils in over half of the UK's schools do not have the option to take GCSE Computer Science. In the Budget in November, the Government committed an additional £100 million to ensure that every secondary school pupil can study computing, by tripling the number of trained computer science teachers to 12,000 by the end of this parliament.



Above: Machine learning report.

2012

Royal Society published [Shut down and restart](#) an examination of the provision of education in computing in UK schools. It called for a review of the National Curriculum in this area and a 'radical overhaul'.

2014

Royal Society published its [Vision for science and mathematics education in 2030](#) report which included a call for all students to study science and mathematics until 18 as part of a broad based curriculum.

The Government introduced a new UK computing curriculum.

2017

Royal Society published [After the reboot](#), reviewing progress with the new computing curriculum. It called for a major increase in investment in the teaching of computing.

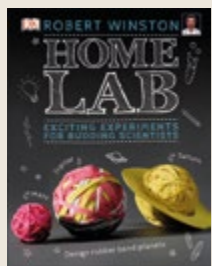
**OUR BOOK PRIZES 2017**



Cordelia Fine with her book, *Testosterone Rex* (also pictured below), this year's winner of the Royal Society Insight Investment Science Book Prize.



Lord Robert Winston's book, *Home Lab* (below), won this year's Royal Society Young People's Book Prize.



The Royal Society brought together Sir David Attenborough and Professor Brian Cox for the first time on screen as part of its *People of Science* series of films. The films were viewed over 3.3 million times.

*People of science* was part of the Tomorrow's World partnership between the Royal Society, BBC, Science Museum, Wellcome and Open University, with contributions from a wide range of other leading science bodies in the UK.

211 researchers were involved in the Society's *Meet the Scientists programme* which is designed to support them to take part in and create research-led, effective public engagement that is of benefit to them, their research and the public.

Launched in February 2017, the Society's *Experimental Science* films are designed to help primary school teachers across the UK to introduce creative experimental science lessons into their classrooms. The target of 1,000 downloads in the first six months was surpassed with an estimated 1,150 downloads in six months and over 2,600 in the first year.

The Society has worked with the judiciary to ensure that the best scientific guidance is available to the courts. With the Royal Society of Edinburgh, the Royal Society has produced primers on DNA analysis and forensic gait analysis and brought together judges and leading scientists at seminars to discuss memory, uncertainty and probability, mental capacity and pain, machine learning and substance addiction. The Society has also contributed speakers to the judicial continuing education programme.

**SOCIAL MEDIA HIGHLIGHTS**

**Over 3.3 million views**

for the first *People of Science* series across our social channels, BBC iPlayer and YouTube (April 2018)



70% increase in Facebook followers since 2016 (January 2018)



60% increase in Twitter followers since 2016 (January 2018)

**royalsociety.org**

received 2.09 million sessions, a growth of 8.9% on previous year

**LOOKING FORWARD 2018/19**



**SUMMER SCIENCE EXHIBITION 2017**



**2,264** students from **128** different schools attended



**44%** were schools who had not previously attended



- As part of our Science and the Law programme, the Society will be producing [judicial primers](#) on statistics and the physics of vehicle collisions and holding seminars on a number of subjects including robotics.
- The Royal Society believes that by 2030 all students should study science and maths until the age of 18, as part of a broad based curriculum – we will continue to build alliances to make that a reality and will be running an engagement programme to listen to the views of the public.
- The Society will be monitoring progress and holding the Government to account on its commitment to tripling the number of trained computer science teachers to 12,000 by 2022.
- Following the success of the launch of our [People of Science films](#), which were viewed over 3 million times, the Society will produce a second series of films exploring the contribution of the people behind some of the world's great scientific discoveries.
- The Society will continue to lead a public and policy dialogue about the frontiers of artificial intelligence (AI) and its implications for society including holding a [series of public events around the UK](#) and exploring the way AI is discussed in popular culture. The application of AI in key areas of policy or societal interest, including exploring issues around inequality, data driven healthcare and human augmentation, will also be investigated.
- The Society's public engagement programme will include supporting small museums with grants to engage their communities, supporting events at arts and science festivals and doing more regional activity across the UK in line with the Society's *Meet the Scientists* initiative.

# People

At the core of the Royal Society are people, from Fellows and staff to generous donors and the scientists who are supported through the Society's funding programmes.



**Above:**  
Royal Society Fellows and  
Foreign Members elected  
in 2017.

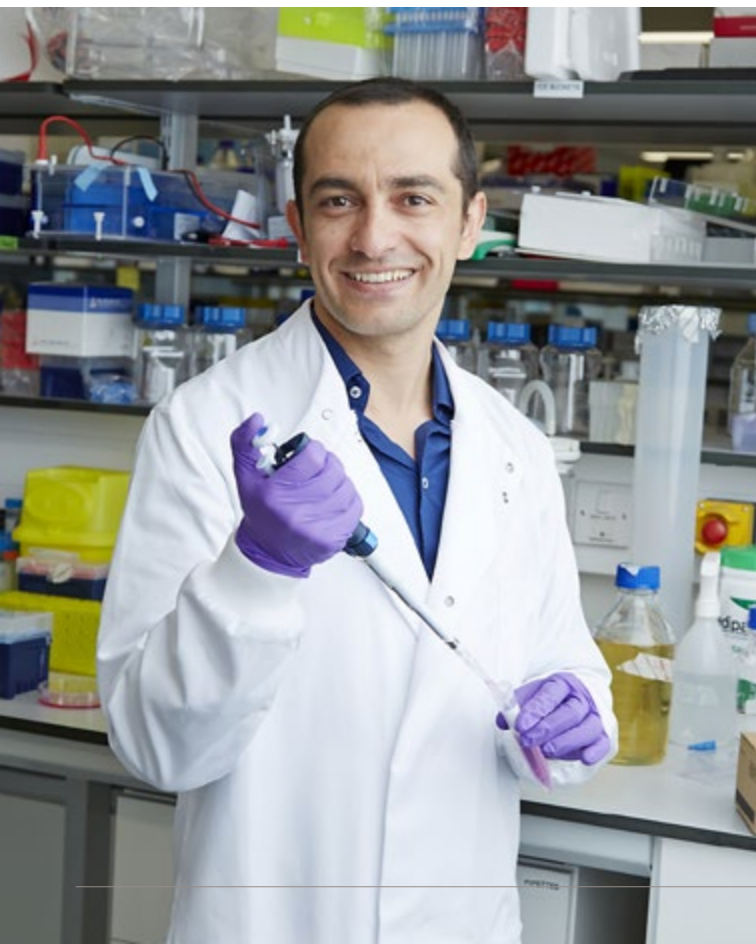
# People

## Fellows

Fellows are elected through a peer-review process on the basis of excellence. It is from the eminence of its Fellowship and Foreign Membership and its independence from government that the Society derives its authority in scientific matters. Fellows and Foreign Members fulfil a range of responsibilities for the Society on a voluntary basis. Many others, scientists and non-scientists, also contribute to the work of the Society on a voluntary basis. The Fellowship is supported by staff based in London.

## Scientists

The Society has played a part in some of the most fundamental, significant, and life-changing discoveries in scientific history and Royal Society scientists continue to make outstanding contributions to science in many research areas. The Society is currently supporting 1,111 researchers through its research fellowships. These researchers receive long-term funding from the Society and they range from early-career researchers just starting their independent careers to some of the most distinguished senior researchers in the country.



## Staff

As at 31 March 2018, the Society had 192 staff. The Society's staff are organised into programmes, services and trading sections. The Society aims to offer fair pay to attract and retain appropriately qualified staff to lead, manage, support and deliver the Society's aims on behalf of its Fellows and Council.

## Equality, Diversity and Inclusion

As the UK's national academy of science, engineering, technology and mathematics, the Society has a particular responsibility to ensure that diversity and inclusion are embedded across all of its activities and are part of the culture of the organisation. The Society publishes an annual diversity data report.

As an employer, the Society is committed to providing an environment free from discrimination, bullying, harassment or victimisation and creating a culture of inclusivity where individual differences and the contributions of all staff are recognised and valued.

The Society provides equality of opportunity for all and will not tolerate discrimination on grounds of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation.

Two staff roles are specifically focused on promoting diversity and inclusion and, during the year, the Society became a member of the Employers Network for Equality and Inclusion, both of which demonstrate the Society's commitment in this area.

Left

Dr Shukry J Habib, Sir Henry Dale Research Fellow.

## Remuneration Policy

The aim of the Society's remuneration policy is to maintain sustainable, fair levels of pay at the same time as attracting and retaining the right people to deliver our charitable objectives. In setting appropriate levels of senior management pay, the Society considers the skills, experience and competencies required for each role, and the remuneration level for those roles in sectors where suitable candidates would be found. Remuneration packages for all staff are benchmarked using proprietary pay surveys and external advisers. Our staff are central to our success and the Society wants to be a good employer by making sure its pay structure is fair and transparent. The Society undertook a review of pay structures during the last year. As a result of the review, the structure was amended from a six-band system to one with seven and adjustments were made to bring certain roles more in line with the market median.

All Trustees are unremunerated.

## WOLFSON RESEARCH MERIT AWARD



“The award has been instrumental to make my relocation to the UK a success and for this, I am very grateful to the Wolfson Foundation and the Royal Society.”

Professor Fabrice Pierron,  
University of Southampton

## Imaging the mechanical properties of materials

Reducing their impact on the environment is a priority for most industries and sectors. Using lighter, stronger and environmentally friendlier engineering structures in transportation, energy generation and the built environment is a major step in achieving this objective. Professor Fabrice Pierron's research aims to develop the tools to create such engineering structures.

All materials deform under load, which sometimes leads to the failure of engineering structures and systems. Understanding, modelling and testing these changes is therefore important in engineering. Professor Pierron's research deals with a wide range of materials, from engineering metals (including welds) to polymers, composites, wood, foams, and concrete.

Using imaging systems like cameras, Professor Pierron is developing experimental procedures to assess how solids deform. These tools are now used routinely in mechanical testing labs in academia and industry. The outcomes are higher quality, more efficient and more cost effective materials for the design of car bodies, hip replacement implants or composite aerospace panels enabling lighter and safer structures.

Professor Pierron was recruited to University of Southampton from his previous institution in France with the aid of the Wolfson Research Merit Award. It enhanced his salary and covered the substantial difference in living expenses between France and the UK. The Wolfson Research Merit Award has been superseded by the Royal Society Wolfson Fellowship which continues to promote and support the recruitment and retention of outstanding senior scientists to the UK.

# Income

Income for the year totalled £98.3 million. The Society has a number of income sources including the Government, trusts, foundations, companies, individuals and trading activities. These enable the Society to deliver a wide range of programmes in support of our strategic aims.

**Income and endowments from donations and legacies: £3.5 million**

The Society has relied on the generous support of philanthropists throughout its history. This year the Society received funding from trusts, foundations, companies and individuals in addition to the contributions made by Fellows. The Society is grateful for the outstanding level of support from all our donors, both those named and those who have chosen to remain anonymous, over the last financial year. [A list of named donors can be found on our website.](#)

**Grants for charitable activities: £76.1 million**

The Society receives the majority of its funding from the Department for Business, Energy and Industrial Strategy (BEIS). This is in the form of a core grant, additional income in support of the Newton Fund Academies' Programme and additional grants under the Global Challenges Research Fund (GCRF) and Investment in Research Talent Fund. In the year, a grant was also received from the Department for International Development.

In addition to government funding, the Society also receives valuable contributions towards charitable activities from long-term partners such as the Wolfson Foundation and the Leverhulme Trust, as well as other external bodies.

**Trading in furtherance of charitable activities: £11.5 million**

Trading activities that further the charitable activities of the Society are in the form of publishing and conferencing. The Society's journals are world-renowned and continue to generate income sales. Conferencing activities take place at the Society's home at Carlton House Terrace; these conferences are limited to organisations that are charities, are working in areas that further the Society's charitable aims and organisations that undertake one or more activities that are the same as those undertaken by the Society.

**Other trading activities: £1.5 million**

The Society acquired Chicheley Hall in 2008 with the aim of operating the property as a centre for scientific and academic conferences. In addition to holding mission related activities, the Hall is available for conferences and other events, and Royal Society Trading Limited was established to process the activities of the Hall.

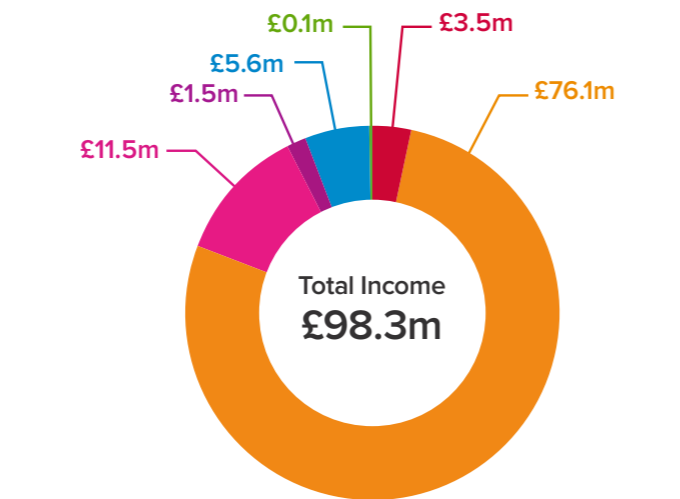
**Income from investments: £5.6 million**

The Society holds a significant investment portfolio. A number of the funds held were bequeathed to the Society or gifted as restricted funds for a specific purpose. The investment objective of the Society is to at least maintain the real value of its investment assets whilst generating a stable and sustainable return to fund charitable activities, thus being even handed between current and future beneficiaries.

**Other income: £0.1 million**

The Society had other income sources for the year totalling £0.1 million.

**Income**



- Income and endowments from donations and legacies
- Other trading activities
- Grants for charitable activities
- Income from investments
- Trading in furtherance of charitable activities
- Other income

# Expenditure

Expenditure for the year totalled £101.7 million. Areas of expenditure are on raising funds and charitable activities.

**Expenditure on raising funds: £4.4 million**

Expenditure on raising funds includes the direct costs of raising funds, support costs on raising funds, costs of trading and investment management fees. The costs of the subsidiary are included in expenditure on raising funds within costs of trading.

**Expenditure on charitable activities: £97.3 million**

The majority of the Society's charitable expenditure is grant awards. In order to ensure delivery against our strategic objectives, grant awards are made to the following themes:

- Promoting science and its benefits
- Supporting and recognising excellence in science
- Fostering international and global cooperation
- Education and public engagement

The expenditure relating to activities in furtherance of the strategic objective of demonstrating the importance of science to everyone are mainly categorised to the following themes:

- Providing scientific advice for policy
- Education and public engagement

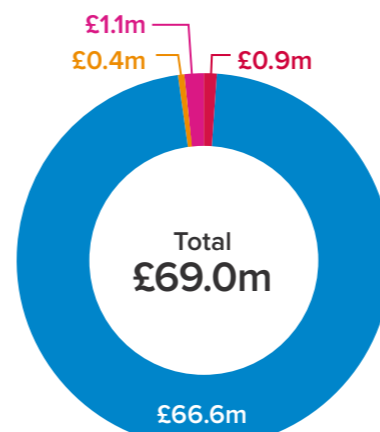
'Supporting and recognising excellence in science' includes costs arising from recognition of the excellence and creativity of scientists by election to the Fellowship and Foreign Membership and the awards to those scientists who are making major contributions to society.

The costs of the Society's publishing operation and the costs associated with lettings in furtherance of charitable objects are included in 'Supporting and recognising excellence in science' on the face of the statement of financial activities.

**Expenditure mapping**

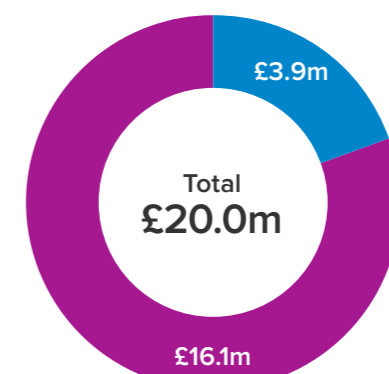
**Expenditure on charitable activities £97.3 million**

**Promoting excellence in science**



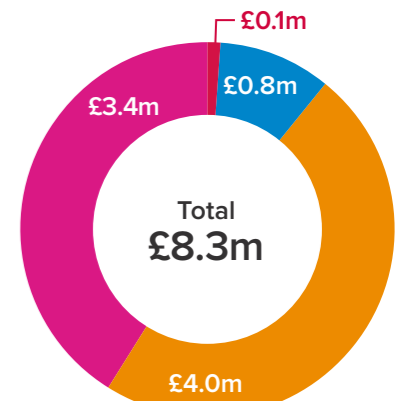
- Promoting science and its benefits
- Supporting and recognising excellence in science

**Supporting international scientific collaboration**



- Providing scientific advice for policy
- Fostering international and global cooperation

**Demonstrating the importance of science to everyone**



- Education and public engagement

# Financial review

## Overview

	2018 £m	2017 £m	Change %
Total income	98.3	85.2	15.4%
Income from charitable activities	87.6	75.1	16.6%
Total expenditure	101.7	87.3	16.5%
Expenditure on charitable activities	97.3	83.1	17.1%
Income from investments	5.6	5.2	7.7%

In the year to 31 March 2018, the Society's income increased by 15%, from £85.2m to £98.3m. The majority of the Society's income came from charitable activities, which increased by 17% during the year to £87.6m (2017: £75.1m).

Total expenditure increased by 16% on the prior year from £87.3m to £101.7m, as the Society has continued to expand its charitable programme. Expenditure on charitable activities increased from £83.1m to £97.3m, and remains around 95% of total expenditure, in line with 2017.

Income from investments remains broadly in line with the previous year at £5.6m (2017: £5.2).

## Income

	2018 £m	2017 £m
Income and endowments from donations and legacies	3.5	3.2
Grants for charitable activities	76.1	64.9
Trading in the furtherance of charitable activities	11.4	10.3
Other trading activities	1.6	1.5
Income from investments	5.6	5.2
Other income	0.1	0.1
<b>Total</b>	<b>98.3</b>	<b>85.2</b>

## Income from charitable activities

Most of the year on year increase in income relates to the increase in grants for charitable activities to £76.1m (2017: £64.9m). The Society's core grant from the Department for Business, Energy and Industrial Strategy (BEIS) was £47.1m (2017: £47.2m). BEIS also provided a grant to the Society of £9.2m under the Investment in Research Talent Fund to expand the number of grants awarded under existing grant programmes and income in support of the Newton Fund Academies' Programme of £6.6m (2017: £5.5m). This was offset slightly by a reduction in the grant from the Department for International Development of £0.6m to £1.9m (2017: £2.5m).

Trading in furtherance of charitable objectives increased during the year by £1.2m to £11.5m (2017 £10.3m) due to successful trading years for both publishing and conferencing. Income from publishing increased by £0.9m, from £6.9m in 2017, to £7.8m. Conferencing income from Carlton House Terrace also increased by £0.1m, to £3.1m (2017: £3.0m).

## Income from donations and legacies

Income from donations and legacies increased slightly on the prior year to £3.5m (2017: £3.2m).

## Expenditure

	2018 £m	2017 £m
Expenditure on raising funds	4.4	4.2
Expenditure on charitable activities	97.3	83.1
<b>Total</b>	<b>101.7</b>	<b>87.3</b>

The Society undertakes a broad range of activities that provide public benefit either directly or indirectly, in line with our strategic priorities.

## Expenditure on charitable activities

The majority of the Society's charitable expenditure relates to grant awards; this year accounting for £73.3m (2017: £61.2m). The expansion of the grants programme included an increase in the number of grants awarded under existing schemes and an increase in the number of international awards.

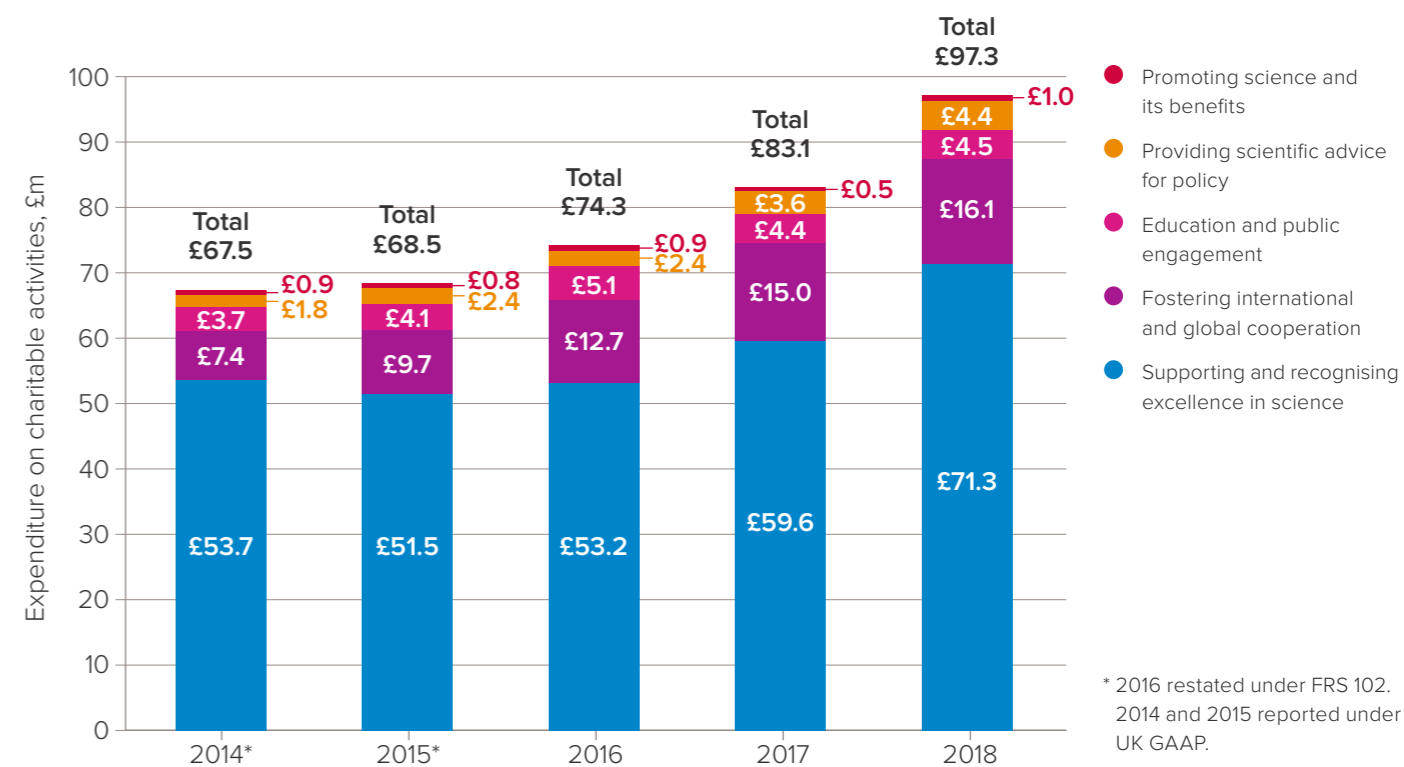
The funding received under GCRF has enabled the Society to fund more international University Research Fellowships and establish a new grant programme for funding and supporting research in sub-Saharan Africa called Future Leaders – African Independent Research Fellowships' ('FLAIR'). FLAIR aims to support early-career researchers who are transitioning into an independent research career. The scheme, which was launched in May 2018, is operated in partnership with the African Academy of Sciences as the delivery partner for the programme. This marks a significant milestone in the history of the Society as the first programme where grants are awarded directly to institutions outside of the UK. Being the first scheme of its kind for the Society, due diligence procedures have taken

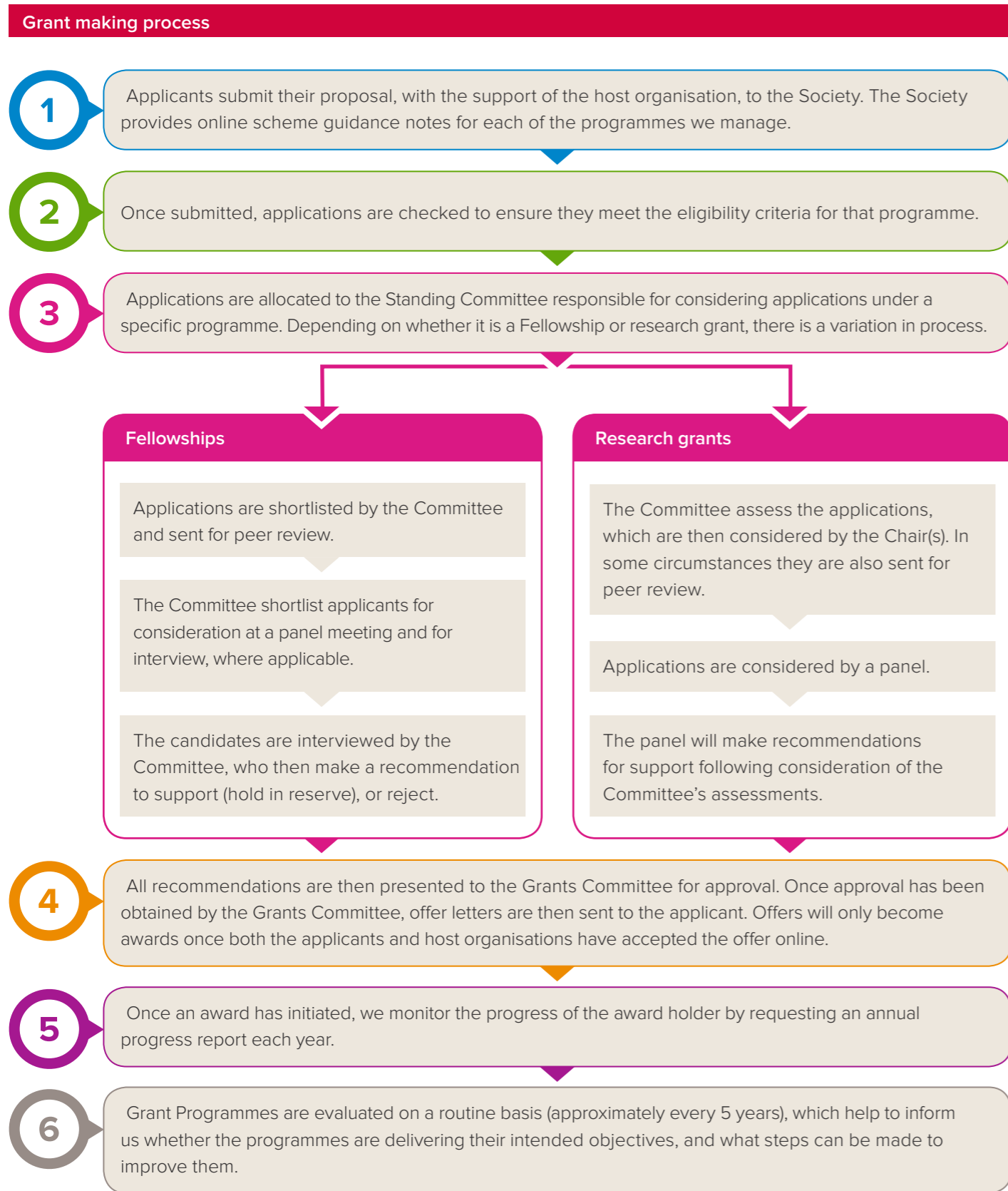
longer than initially anticipated and we are now looking forward to delivering it in 2018/19 rather than the initial planned launch in 2017/18.

During 2018, the Society spent £0.1m on a major 'career tracking' study undertaken to understand the career progression of past Royal Society funded scientists. The result of this study will both inform ongoing provision for scientists supported by the Society and will be used to support the Society's case for investment in research and development.

Aside from grants activity, expenditure on providing scientific advice for policy increased during the year from £3.7m in 2017 to £4.4m in 2018 as the Society expanded its work in this area, particularly in respect of data and education. The Society spent £0.5m on a report on computing education and on continued work surrounding the STEM curriculum programme and £0.1m was spent on the publication of our Data Governance report and related activities.

## Expenditure on charitable activities





### Grants

The primary purposes of the Society's grant-giving activities are to support the work of outstanding individual scientists at various stages of their careers, primarily in the UK, and to encourage collaborations between UK scientists and scientists throughout the world.

Grants made by the Society fall into two broad classes.

(1) Fellowships:

- Early-career Fellowships and Professorships; and
- Senior Fellowships, and support for innovation.

(2) Research grants:

- Research grants, collaboration;
- Travel grants;
- Capacity-building grants; and
- Education-related grants.

Grant applications are assessed by means of a peer-review process and consideration by a panel of experts comprising Fellows of the Royal Society and other senior scientists. Each panel is chaired by a Fellow of the Society.

A new grants management system was launched in April 2017; the implementation of the new system has increased transparency in the grant making processes and improved the experience and ease of application and tracking of grantees.

Further information is available at [royalsociety.org/grants/applications](https://royalsociety.org/grants/applications)

### Chicheley Hall – Royal Society Trading Limited

Since February 2013, the management of the property has been outsourced to De Vere Venues. The trading subsidiary recorded a loss of £226k in the year (2017: a loss of £103k). This has been attributed to a difficult trading environment, with lower than expected room rates and higher costs largely due to staff shortages in the local area. The Society progressed with a review of operations at Chicheley Hall during the financial year; a number of options have been identified and the Society will review these in detail and determine a longer-term strategy for the property.

### Pension and Life Assurance Plan of the Royal Society

The Society operates a defined benefit pension scheme which was closed to new members in 2014. The valuation of the scheme at 31 March 2018 showed a deficit of £11.0m (2017: £10.1m). This represents the difference between the assets and the obligations of the fund rather than an immediate cash liability. The increase in deficit was mainly driven by a change in commutation factors following an analysis of commutation experience and changes to the assumptions resulting from changes in market conditions; this was partly offset by a change in the mortality assumptions in line with the most recent mortality model which reduced the liabilities, and the payment of deficit reduction contributions during the year. In accordance with FRS102, the actuarial losses on the scheme of £1.1m (2017: £1.6m) have been charged to unrestricted funds. A triennial valuation of the scheme was agreed during the previous financial year, under which the Society will make deficit contributions to the pension scheme of £0.7m during the next financial year. Current budget and forecasts indicate that the Society will be able to meet these contributions as they arise.

### Investment Policy and Performance

On 23 March 2016, Council passed a resolution under Section 104A(2) of the Charities Act 2011 to adopt the use of total return in relation to its permanent endowments with the exception of the Theo Murphy Australia Fund in order to best enable it to be even-handed between current and future beneficiaries.

The Society does not invest in organisations which conflict with the charity's purpose, or where Council deem that to do so would hamper the charity's work, for example by alienating those who support the Society financially. Council have resolved that the Society should not invest in companies or funds that derive a significant portion of their income from the sale or manufacture of tobacco products.

The Society ensures that performance is managed against appropriate benchmarks. Income from investments for the year was £5.6m (2017: £5.2m). The value of Society's investment portfolio decreased slightly in the year, from £243.9m in 2017 to £239.5m in 2018. Across the asset classes, returns were generally in line with or exceeded benchmarks however the performance of the investment portfolio was impacted by the fall in global markets in March 2018.



### Reserves

The total funds of the Society decreased by £3.6m to £289.7m during the financial year, mainly due to the increase in expenditure on charitable activities.

The Society holds free reserves so that it can respond to unforeseen charitable opportunities and continue to honour existing commitments in the event of a shortfall of income. The Society's policy is to review its income streams and expenditure commitments on an annual basis, assess the main financial risks faced by the Society and their associated likelihood in order to develop a risk based reserves level.

Freely available reserves are calculated by taking total unrestricted funds and deducting unrestricted tangible fixed assets and heritage assets. At the balance sheet date, the value of the Society's free reserves was £20.5m (2017: £20.7m), well above the target level of £14.9m. The Society continues to develop longer-term strategies to increase its charitable activities in a sustainable way which will reduce the reserves level whilst ensuring that it has adequate resources to enable it to respond to emerging risks and opportunities.

	2018 £m	2017 £m
Unrestricted funds	84.1	85.3
Unrestricted tangible fixed assets	(14.3)	(15.3)
Heritage assets	(49.3)	(49.3)
	<b>20.5</b>	<b>20.7</b>

### Enterprise fund (Amadeus RSEF LP)

The Royal Society Enterprise Fund was created with the aim of becoming a financially successful contributor to early-stage science based companies in the UK and a role model for the translation of excellent science for commercial and social benefit. Due to the dual benefits expected to be received, the fund is accounted for as a mixed motive investment in the financial statements. The Society entered into a Limited Partnership Agreement with Amadeus Capital Partners in 2014 to create the Amadeus RSEF LP.

### Statement of policy on fundraising

Section 162a of the Charities Act 2011 requires us to make a statement regarding fundraising activities because we have an external audit. We do not use professional fundraisers or 'commercial participators' or indeed any third parties to solicit donations. We are therefore not subject to any regulatory scheme or relevant codes of practice, nor have we received any complaints in relation to fundraising activities nor do we consider it necessary to design specific procedures to monitor such activities.

### Going concern

The Trustees consider that there are no material uncertainties about the Society and its subsidiaries to continue as a going concern.

## Principal risks and uncertainties

Council is responsible for ensuring that proper arrangements are in place for risk management. Council relies principally on the Audit Committee, supported by the Internal Auditors, PricewaterhouseCoopers LLP, to assess those arrangements and to advise it accordingly. The Audit Committee considers regular reports on risk-management systems and management of major risks, and Council considers regular reports from the Audit Committee and reviews management of major risks, including using its own risk register. The risk registers of the Society's sections are also updated periodically and used in managing and monitoring risks and communicating information about risks across the organisation. The Internal Audit plan for the year included a review of risk management arrangements and a risk management workshop run by the Internal Auditors.

Council and senior staff reflect frequently on uncertainties and risks to achieving the Society's goals and the effectiveness of the various means it employs to mitigate the risks. They are also vigilant in identifying new risks and taking steps to address them. The Society works assiduously to develop and maintain relationships to ensure that its activities remain relevant, that its contributions are effective, and that the value of its work is recognised. The main risks identified by Council and actions taken to manage them, including ongoing actions, are described below.

The broad political context in which the Society operates remains unsettled, in particular because of uncertainty related to Brexit. In its role as the national science academy of the UK and of the Commonwealth, the Society continues to work on many fronts and in concert with many partners with the aim of conserving the health of science – and hence its ability to benefit humanity – in the UK, in the rest of Europe, and globally. It focusses particularly on future arrangements for international collaboration among scientists, the ability of the UK to continue to attract outstanding scientists from overseas, funding for UK science, and regulatory matters. The coming into being of UK Research and Innovation is another major development, and the Society advises on a wide range of relevant matters.

The Society's principal funder continues to be the Department for Business, Energy, and Industrial Strategy (BEIS). It receives an annual grant of long standing, but the value of that grant in 2017/18 was the same in cash terms as in the previous years, and the grant for the next two years will be the same cash sum, a continuing fall in real terms. The Society has been fortunate, however, that the Department has recognised the Society's strength in supporting excellent science by awarding it grants from the Newton Fund and the Global Challenges Research Fund (GCRF), and in 2017/18 a new grant for Investment in Research Talent. During the year the Department also offered the Society a further grant from the GCRF for an ambitious scheme to facilitate the development of early-career scientists in sub-Saharan Africa. Council has been assiduous in ensuring that before taking a decision on whether to accept this grant, there was a thorough examination of risks related to the use of public funds in Africa and development of an appropriate assurance plan; the scheme was launched in May 2018. The Society continues to strengthen existing relationships with a range of private funders and to develop new relationships, seeking thereby to secure additional funding and diversify its sources of funding. The incoming Treasurer initiated a timely review of the Society's investment-management arrangements.

The Society began its open access initiative in journal publishing in 2006, and Council continues to reflect on the difficult question of how to develop that initiative given the uncertainty in the publishing industry generally and the importance to the Society of the unrestricted income generated by this primary-purpose trading. The Society's conference services trading business at Carlton House Terrace strengthened its financial performance and also makes an important contribution to unrestricted income. The Kavli Royal Society International Centre at Chicheley Hall continues to be a successful venue for scientific events but also to consume considerable resources. The incoming Treasurer is leading a review of options for the future of the property. The Society worked with the Trustees of the Pension and Life Assurance Plan of the Royal Society to strengthen governance arrangements and professional services to the Trustees and to undertake a thorough review of the Plan's rules.

Over the past three years, the Society has expanded many of its programmes and has taken on several new activities. A major challenge for Council is to decide how best to apply the available resources to activities that are of the highest quality and are likely to have the most valuable impact (even if that may be hard to measure) while ensuring financial sustainability over the long term. A key is the primacy of the Fellowship in all scientific matters, and many Fellows give freely of their time to the Society in a wide range of activities. Related questions to which Council continues to attend closely are the overall size and shape of the Society and ensuring that the organisation is resilient. In relation to resilience, the Society further strengthened its IT systems and security, it undertook a major project in advance of the introduction of the General Data Protection Regulation, and it further strengthened its HR policies, procedures, and systems.

Council attended to a range of governance-related risks during the year, ever-mindful that the Charter's stipulation that all of its members must be Fellows results in the composition of the trustee body being unusual in today's world. Council via its Nominations Committee works to identify potential members with broad trustee experience to complement the more widely available expertise in scientific matters. The inclusion of many non-Fellows with relevant expertise on Society committees is important in ensuring effective management of risks of many kinds, on a spectrum from finance and investments to programmes in science policy and public engagement. During the year, Council created a new committee to advise on candidates for election to the Fellowship from the domain of computer science, thus continuing the tradition of adapting to evolution in the scientific landscape and seeking to maintain the Society's position as the pre-eminent pan-scientific academy in a world where international competition grows ever more intense.

## Governance

The Royal Society was founded in 1660 and incorporated by Royal Charter. The Society was granted a Supplemental Charter in 2012, and that now serves as its governing document.

The governing body of the Society is its Council. Under the Charter, Council 'shall and may have full authority, power, and faculty from time to time to draw up, constitute, ordain, make, and establish such laws, statutes, acts, ordinances, and constitutions as shall seem to them, or to the major part of them, to be good, wholesome, useful, honourable, and necessary, according to their sound discretions, for the better government, regulation, and direction of the Royal Society aforesaid, and of every Member of the same, and to do and perform all things belonging to the government, matters, goods, faculties, rents, lands, tenements, hereditaments, and affairs of the Royal Society aforesaid.'

The Charter specifies that Council must have between 20 and 24 members, each of whom must be a Fellow of the Society. The members of Council are elected by the Fellowship. Council determines the candidates for election on the advice of its Nominations Committee.

Fellows and Foreign Members of the Society are elected by the Fellowship. Candidates for election are determined by Council on the advice of its Sectional Committees, which span the scientific disciplines, and a committee to advise on general and honorary candidates whose contributions to science are not primarily in research.

Among the members of Council are the President, who is the Chair of Council, and four Officers: the Biological Secretary, the Foreign Secretary, the Physical Secretary, and the Treasurer. During the year there were also 18 so-called Ordinary Members. The President and the Officers normally serve five-year terms and the Ordinary Members serve three-year terms.

Council is the trustee body under charity law. Fellows are not remunerated for serving as trustees. Council has complied with its duty to have due regard to the Charity Commission's public benefit guidance when exercising any powers or duties to which that guidance is relevant. Information about public benefit provided by the Society is presented in this report.

Changes in the membership of Council took place as usual on 30 November, which is the Society's Anniversary Day. The new members received an induction that included review of a suite of relevant documents and presentations on trustee duties by a partner in a leading charity-law practice and on internal control by the Internal Audit Engagement Partner. During the year, Council also received guidance from professional advisors on specific matters and updates on relevant developments affecting charities and trustees.

Council has a system of committees. Council determines the memberships of committees, which comprise Fellows and many non-Fellows with relevant expertise. Delegations of authority by Council are explicit in the terms of reference of committees.

Council determines the strategic direction of the Society and in particular approves the Society's strategic plan. Council also approves plans for specific charitable programmes on the recommendation of relevant committees, and those committees oversee activities within the programmes on behalf of Council. As explained elsewhere in this Report, there are programmes and associated committees in diversity, education, grants, industry and translation, prizes, public engagement, publishing, science policy, and scientific meetings, among others. If they are not themselves members of Council, Chairs of these committees are invited to attend specific Council meetings to present reports. The Board is a subcommittee of Council comprising the President and the Officers, and it oversees fund-raising and considers on behalf of Council matters that require urgent attention and matters, such as international affairs, that span many programmes.

Council approves the Society's financial plan and its annual budgets on the recommendation of its Planning and Resources Committee. That committee also monitors financial performance and oversees the Society's trading activities and the provision of services. The Society's Investment Committee advises Council on investment policy, determines investment strategy, and oversees the performance of the Society's investment managers.

The Audit Committee reports to Council on the effectiveness of the Society's internal control system. It approves the internal audit programme, reviews internal audit reports, and tracks implementation of any actions arising. The Audit Committee also approves the external audit plan, discusses the audit and matters arising from it with the external auditors and management, and makes recommendations to Council in relation to the Financial Statements and associated matters. The Committee reports to Council after each meeting and submits an annual report to Council. Members of Audit Committee receive the papers for Council meetings to assist them in performing their role, and the Chair of Audit Committee attends meetings of Council by invitation.

Council delegates responsibility for day-to-day management of the Society's affairs to the Executive Director.

The staff of approximately 200 includes professionals in a wide range of specialisms. The staff are organized into sections as follows:

Programmes – Diversity, Grants, Industry, International Affairs, Library, Marketing and Public Engagement, Science Policy and Scientific Programmes;

Services – Communication, Corporate Management, Development, Facilities, Finance, Human Resources, and Information Technology; and

Trading – Conference Services and Publishing.

During the year, Council reinstated a remuneration committee to consider pay-related matters, including remuneration of key management personnel. The Society had previously had such a committee but in an earlier reorganisation to streamline the committee system, Council had transferred its responsibilities to a Finance Committee, which was itself later superseded by the Planning and Resources Committee.

## Statement of Trustees' responsibilities

The Council members (who are the Trustees of the Society) are responsible for preparing the Trustees Annual Report and the financial statements in accordance with applicable law and regulations.

Charity law requires the Council to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under charity law the Council members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and charity and of the incoming resources and application of resources, including the income and expenditure, of the group for that period.

In preparing these financial statements, the Council members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 charity will continue in business.

The Council members are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the charity's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the charity's website is the responsibility of the Council. The Councils' responsibility also extends to the ongoing integrity of the financial statements contained therein.

The current Council members, having made enquiries of fellow Council members and the charity's auditors, confirm that:

- so far as they are aware, there is no relevant audit information of which the charity's auditors are unaware; and
- they have taken all reasonable steps they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

This report was approved by Council on 3 July 2018 and signed on their behalf by:



**Venki Ramakrishnan**  
President of the Royal Society

# Independent auditor's report

## Opinion

We have audited the financial statements of The Royal Society ("the Parent Charity") and its subsidiaries ("the Group") for the year ended 31 March 2018 which comprise the consolidated statement of financial activities, the consolidated balance sheet, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Charity's affairs as at 31 March 2018 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 requirements of the Charities Act 2011.

## Opinion on other matter as required by BEIS grant letter

In our opinion, in all material aspects, the core grant payments received from the Department for Business, Energy and Industrial Strategy (BEIS) has been applied for the purposes set out in the Grant Letter and in accordance with the terms and conditions of the core grant.

## Basis for opinion

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

## Conclusions related to going concern

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

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

## Other information

The other information comprises the information included in the Trustees' Report and Financial Statements, other than the financial statements and our auditor's report thereon. The other information comprises the Trustees' Report. The Trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

We have nothing to report in respect of the following matters in relation to which the Charities Act 2011 requires us to report to you if, in our opinion;

- the information contained in the financial statements is inconsistent in any material respect with the Trustees' Annual Report; or
- adequate accounting records have not been kept by the Parent Charity; or
- the Parent Charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of Trustees

As explained more fully in the Statement of Trustees' responsibilities, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

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

This report is made solely to the Charity's trustees, as a body, in accordance with the Charities Act 2011. Our audit work has been undertaken so that we might state to the Charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity and the Charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

*BDO LLP*

## Fiona Condron (Senior Statutory Auditor)

For and on behalf of:

**BDO LLP**  
statutory auditor  
Gatwick

**3 July 2018**

BDO LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006. BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Consolidated statement of financial activities

(Incorporating an income and expenditure account)

For the year ended 31 March 2018

	Notes	Unrestricted funds £'000	Restricted funds £'000	Expendable endowment funds £'000	Permanent endowment funds £'000	2018 Total funds £'000	2017 Total funds £'000
Income and endowments from donations and legacies	1	1,871	1,591	–	–	3,462	3,170
<b>Income from charitable activities</b>							
Grants for charitable activities	4	992	75,122	–	–	76,114	64,853
Trading in furtherance of charitable activities	3	10,876	570	–	–	11,446	10,284
		11,868	75,692	–	–	87,560	75,137
Other trading activities	3	1,562	–	–	–	1,562	1,535
Income from investments	2	939	832	900	2,953	5,624	5,228
Other income	5	6	119	–	–	125	100
<b>Total income</b>		16,246	78,234	900	2,953	98,333	85,170
Expenditure on raising funds	6	3,548	341	108	378	4,375	4,175
<b>Expenditure on charitable activities</b>							
Promoting science and its benefits	7	92	857	–	–	949	474
Supporting and recognising excellence in science		10,091	61,166	–	–	71,257	59,554
Providing scientific advice for policy		2,052	2,374	–	–	4,426	3,662
Fostering international and global cooperation		755	15,384	–	–	16,139	15,022
Education and public engagement		3,083	1,429	–	–	4,512	4,380
		16,073	81,210	–	–	97,283	83,092
<b>Total expenditure</b>		19,621	81,551	108	378	101,658	87,267
<b>Net (expenditure)/ income before net gains/ (losses) on investments</b>		(3,375)	(3,317)	792	2,575	(3,325)	(2,097)
Net (losses)/gains on investments	18	(40)	(1,634)	704	1,786	816	40,553
<b>Net (expenditure) / income for the year</b>		(3,415)	(4,951)	1,496	4,361	(2,509)	38,456
Gross transfers between funds	24	3,291	1,792	(1,228)	(3,855)	–	–
Actuarial losses on defined benefit pension scheme	26	(1,091)	–	–	–	(1,091)	(1,602)
<b>Net movement in funds</b>		(1,215)	(3,159)	268	506	(3,600)	36,854
Total funds brought forward		85,353	42,979	37,868	127,066	293,266	256,412
<b>Total funds carried forward</b>		84,138	39,820	38,136	127,572	289,666	293,266

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

The Consolidated Statement of Financial Activities is for the Group as a whole. The Charity's total income for the year was £96.8m (2017: £83.6m). The Charity's total funds decreased by £3.4m in the year (2017: £36.9m increase).

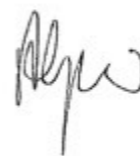
The notes that follow form part of the financial statements.

# Consolidated balance sheet

As at 31 March 2018

	Notes	Group 2018 £'000	Group 2017 £'000	Charity 2018 £'000	Charity 2017 £'000
<b>Fixed assets</b>					
Tangible assets	15	14,305	15,335	14,305	15,335
Heritage assets	17	49,321	49,300	49,321	49,300
Investments	18	239,544	243,864	239,544	243,864
		303,170	308,499	303,170	308,499
<b>Current assets</b>					
Stocks	21	42	44	21	25
Debtors receivable within one year	19	8,043	6,620	8,685	7,053
Debtors receivable after one year	19	–	250	–	250
Cash at bank and in hand	21	4,697	2,654	4,450	2,268
		12,782	9,568	13,156	9,596
Creditors: amounts falling due within one year	20	(15,106)	(14,536)	(14,668)	(13,978)
<b>Net current liabilities</b>		(2,324)	(4,968)	(1,512)	(4,382)
<b>Total assets less current liabilities</b>		300,846	303,531	301,658	304,117
Creditors: amounts falling due after more than one year	20	(161)	(192)	(161)	(192)
<b>Net assets before pension scheme liability</b>		300,685	303,339	301,497	303,925
Defined benefit pension scheme liability	26	(11,019)	(10,073)	(11,019)	(10,073)
<b>Total net assets</b>		289,666	293,266	290,478	293,852
Permanent endowment funds	24	127,572	127,066	127,572	127,066
Expendable endowment funds	24	38,136	37,868	38,136	37,868
Restricted funds	24	39,820	42,979	39,820	42,979
<b>Unrestricted Funds</b>					
Revaluation reserve	24	47,856	47,856	47,856	47,856
Defined benefit pension reserve	24	(11,019)	(10,073)	(11,019)	(10,073)
Unrestricted income funds	24	47,301	47,570	48,113	48,156
<b>Total funds</b>		289,666	293,266	290,478	293,852

The financial statements were approved and authorised for issue by Council on 3 July 2018 and signed on its behalf by



Professor Andrew Hopper  
Treasurer

# Consolidated statement of cash flows

For the year ended 31 March 2018

	Notes	2018 £'000	2018 £'000	2017 £'000
<b>Net cash used in operating activities</b>	A		<b>(7,026)</b>	(2,547)
<b>Cash flows from investing activities:</b>				
Investment income	2	5,624		5,228
Purchase of tangible fixed assets	15	(719)		(1,140)
Purchase of heritage assets	17	(20)		(14)
Purchase of investments	18	(21,268)		(42,100)
Proceeds from sale of investments	18	25,452		37,928
<b>Net cash provided by/ (used in) investment activities</b>			<b>9,069</b>	(98)
<b>Cash flows from financing activities:</b>				
Receipt of endowment		–		1,250
<b>Net cash provided by financing activities</b>			<b>–</b>	1,250
<b>Increase/decrease in cash and cash equivalents</b>			<b>2,043</b>	(1,395)
Cash and cash equivalents at 1 April			2,654	4,049
<b>Cash and cash equivalents at 31 March</b>			<b>4,697</b>	2,654

## A. Reconciliation of net (expenditure)/ income to net cash flow from operating activities

	Notes	2018 £'000	2017 £'000
<b>Net (expenditure)/ income as per the statement of financial activities</b>		<b>(2,509)</b>	38,456
<b>Adjustments for:</b>			
Depreciation charges	15	1,683	1,695
Gains on investments	18	(816)	(40,553)
Investment income	2	(5,624)	(5,228)
Loss on the disposal of fixed assets	15	66	16
Investment management fees charged to portfolio	18	952	958
Decrease/ (increase) in stocks	21	2	(2)
(Increase)/ decrease in debtors	19	(1,173)	468
Increase in creditors	20	539	3,044
Donated heritage assets	17	(1)	(9)
Increase in endowment investments		–	(1,250)
Difference between pension charge and cash contributions	26	(145)	(142)
<b>Net cash used in operating activities</b>		<b>(7,026)</b>	(2,547)

# Accounting policies

For the year ended 31 March 2018

The principal accounting policies adopted in the preparation of these financial statements are as follows:

## Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102') and with the Statement of Recommended Practice: Accounting and Reporting by Charities FRS 102 as revised in 2015 ('the SORP 2015') together with the reporting requirements of the Charities Act 2011.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policy or note.

The accounts have been prepared on a going concern basis. The Royal Society ('the Society') is a Public Benefit Entity as defined by FRS 102. The accounting policies have been applied consistently throughout the financial statements and the prior year.

## Basis of consolidation

These financial statements consolidate the results of the Royal Society and its active wholly-owned subsidiary, Royal Society Trading Limited on a line by line basis. In the consolidated financial statements uniform accounting policies have been used. A separate statement of financial activities for the charity itself is not presented.

## Cash flow statement

The Society meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemption in relation to presentation of a cash flow statement in respect of its separate financial statements, which are presented alongside the consolidated financial statements.

## Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies the trustees are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Judgements, estimates and associated assumptions are reviewed on an ongoing basis and are based on historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements relate to the accounting treatment of the multi-employer defined benefit scheme. Critical accounting estimates and assumptions relate to the defined benefit pension scheme.

## Multi-employer defined benefit scheme

Certain employees participate in a multi-employer defined benefit scheme with other organisations. In the judgement of the Trustees, the Society does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligation and plan assets. Therefore the scheme is accounted for as a defined contribution scheme.

## Defined benefit pension scheme

The cost of the defined benefit pension scheme, and the value of the present value of the scheme liability depend on a number of factors including assumptions about inflation, discount rates and mortality which are taken by actuarial specialists. The valuation of the scheme is particularly sensitive to discount rate assumptions, with a 0.1% movement in the discount rate resulting in a £1.2m change in the value of the scheme liabilities.

### Income

Income is accrued and recognised when conditions on entitlement are met, receipt can be quantified reliably and is probable.

### Donations and legacies

Donated goods and services are included at the value to the Society where these can be quantified. No amounts are included in these financial statements for the services donated by volunteers or Fellows.

Donations are accounted for on a receivable basis where receipt is probable and there is entitlement to the income. Donations include Gift Aid based on amounts receivable at the accounting date.

Legacy income is recognised on a receivable basis when there is sufficient evidence to assess that receipt is probable and receipt can be quantified reliably.

Fellows' Annual Contributions are recognised in the year in which they become due.

### Grants for charitable activities

Grants are recognised when all conditions for receipt are met. 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.

### Income from trading activities

Income from conferencing activities is recognised when the event takes place. Income from publishing activities is recognised when the publication is provided.

### Income from investments

Investment income and interest on deposits is recognised on an accruals basis. Investment income arising on endowment funds is credited to the appropriate fund in accordance with the prescribed conditions.

### Expenditure

Expenditure, including irrecoverable VAT, is accounted for on an accruals basis. Expenditure is allocated to the particular

activity where the cost relates directly to that activity. Support costs, which cannot be directly attributed to a particular activity, are apportioned based on the costs of staff engaged in direct activities.

### Expenditure on raising funds

Costs of raising funds include those costs incurred in raising donations and legacies.

### Expenditure on charitable activities

Charitable expenditure includes all expenditure incurred on grants awarded and 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 and other overhead costs, are separately analysed and shown as support costs under this heading.

Grants are recognised as a liability when the Society formally notifies the recipient of the award. Due to the nature of the funding source for the majority of grant awards, the liability is measured as the total of expected payments for the period to the next confirmation of income due. Payments due in future periods are disclosed as grant commitments. Any termination liabilities are recognised when a decision to cease the grant is made. Liabilities for awards where more than one year of expected payments are provided at the outset are discounted to current value using a rate equivalent to the opportunity cost from investments forgone.

### Leased assets

Rentals payable under operating leases are charged to the SOFA evenly over the term of the lease.

### Tangible fixed assets

Tangible fixed assets are capitalised at cost, including purchase price and any other costs of bringing the asset into working condition for its intended use. The Society only capitalises items costing more than £5,000. Batches of items below this threshold are capitalised if forming part of a larger asset or project and together costs more than £5,000. Depreciation is provided on all assets, excluding freehold land and assets under development, to write off the cost of tangible fixed assets on a straight-line basis over their

expected useful lives as follows:

Freehold property and improvements	20 – 50 years
Freehold fixtures and fittings	3 – 10 years
Leasehold improvements	20 – 30 years
Leasehold fixtures and fittings	3 – 10 years
Computers and AV equipment	3 – 5 years
Other equipment	10 – 20 years

### Heritage assets

Heritage assets comprise:

- Printed books
- Archives
- Pictures, sculptures and other works of art
- Other artefacts

Printed books and archives are included on the balance sheet at deemed cost using a valuation performed in 2003. Pictures, sculptures and other works of art, and other artefacts are included on the balance sheet on a valuation basis. The valuation reflects their fair value and is performed every 5 years.

Additions to heritage assets are made by purchase or donation. Purchases are initially recorded at cost and donations are recorded at a fair value where practicable. The Society holds and maintains these assets principally for their contribution to knowledge and culture in line with its charitable aims.

The Trustees do not consider that a reliable estimate of the fair value can be obtained for a large part of the archives collection without incurring costs that would exceed the benefits provided. The Society was founded in 1660 and the collection has been built up throughout its existence and the number of assets held in the collection is extensive and diverse in nature. Reliable and relevant information on the cost of many of the assets is therefore not readily available and there is a lack of comparable market values. As such, these assets are not recognised in the accounts.

### Investments

Listed investments are held at fair value. Unlisted investments are held at cost as an approximation to fair value where the fair value is not obtainable. Realised gains and losses on investments sold in the year and unrealised gains and losses on revaluation of investments are included in the SOFA.

Investment management fees are allocated proportionally against the funds under investment.

The investment in subsidiary undertakings are held at cost on the Society only balance sheet.

### Total Return Accounting

The Society adopts the use of total return in relation to its permanent endowments with the exception of the Theo Murphy Australia Fund. Income from the endowment's investments and investment gains and losses are recognised in the endowment column of the SOFA. Unapplied total return that is allocated to income funds is presented as an allocation between endowment funds and income funds as a transfer on the face of the SOFA. The amount of any unapplied total return fund is included as part of the relevant endowment together with the value of the trust for investment on the balance sheet.

The Trustees policy is to distribute 4% of the rolling 5 year average capital value of the fund. In determining that the charity should adopt a total return approach, the trustees considered the Charities (Total Return) Regulations 2013, and received advice from Stone King LLP and Cazenove Capital Investment managers.

The core endowment represents the part of the assets which the trustees seek to maintain in real terms. It is based on the value of the endowments at 31 March 2012, together with an allowance for inflation (UK CPI as determined by the Office for National Statistics).

### Impairment of fixed assets and investments

Fixed assets and investments are subject to review for impairment when there is an indication of a reduction in their carrying value. Investments held at cost are reviewed annually for impairment. Any impairment is recognised in the corresponding SOFA category in the year in which it occurs.

Heritage assets are reviewed for impairment at the end of each reporting period to ensure that the carrying value reflects their carrying amounts.

### Foreign currency

Transactions in foreign currencies are recorded at the exchange rate at the date of the transaction. Assets and liabilities in foreign currency are translated into sterling at the exchange rate at the balance sheet date. Resulting gains or losses are included in the SOFA.

### Financial instruments

The Society has financial assets and financial liabilities of a kind that qualify as basic. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

### Fund accounting

Restricted funds can only be used for particular purposes specified by or agreed by the donor. Permanent endowment funds are funds where the capital must be retained and invested. Unrestricted funds may be used for any purpose in the furtherance of the general objectives of the charity.

### Pension costs

Defined benefit 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 FRS 102 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 SOFA is calculated so as to spread the cost of pensions over employees' working lives with the Society. The charge comprises the administration costs of running the scheme, the current service cost computed by the actuary under FRS 102 and gains and losses on settlements and curtailments. Past service costs or credits 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 on the assets and liabilities for the period 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'.

Multi-employer schemes are accounted for as defined contribution schemes as it is not possible to identify the Society's share of the underlying assets and liabilities on a reasonable and consistent basis. Contributions payable relating to funding of the deficit are included as a liability on the balance sheet and charged to the SOFA.

The amounts charged to the SOFA for defined contribution pension schemes represent the employer's contributions payable in the year.

The method for allocation of pension costs between funds is to allocate on a pro-rata basis using departmental salary costs as a base.

### Termination benefits

Termination benefits are payable when employment is terminated by the Society, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The amounts charged to the SOFA represent the best estimate of the expenditure required to settle the obligation at the balance sheet date.

### Taxation

The Society is a charity within the meaning of Paragraph 1 Schedule 6 Finance Act 2010. Accordingly, the Society is exempt from income and corporation taxes on income and gains to the extent that they are applied to charitable purposes. The trading subsidiaries do not generally pay UK corporation tax because their policy is to pay taxable profits to the Society as Gift Aid.

### Prior year comparatives

In accordance with FRS 102, prior year comparative figures for the following can be found as follows:

- Consolidated statement of financial activities – Note 28
- Analysis of net assets between funds – Note 29
- Movements on Trust and specific funds in year – Note 30

# Notes to the financial statements

For the year ended 31 March 2018

1. Income and endowments from donations and legacies						
	Unrestricted funds £'000	Restricted funds £'000	Expendable endowment funds £'000	Permanent endowment funds £'000	2018 Total funds £'000	2017 Total funds £'000
Gifts and donations	126	291	–	–	417	1,525
Legacies	1,513	1,300	–	–	2,813	1,480
Fellows' contributions	232	–	–	–	232	165
<b>Total</b>	<b>1,871</b>	<b>1,591</b>	<b>–</b>	<b>–</b>	<b>3,462</b>	<b>3,170</b>

2. Income from investments						
	Unrestricted funds £'000	Restricted funds £'000	Expendable endowment funds £'000	Permanent endowment funds £'000	2018 Total funds £'000	2017 Total funds £'000
Dividends and interest	923	822	900	2,953	5,598	5,194
Bank deposit interest	16	10	–	–	26	34
<b>Total</b>	<b>939</b>	<b>832</b>	<b>900</b>	<b>2,953</b>	<b>5,624</b>	<b>5,228</b>

3. Trading						
	External income £'000	Recharged internal lettings £'000	Gross expenditure £'000	2018 Net surplus/ (deficit) £'000	2017 Net surplus/ (deficit) £'000	
<b>Other trading activities</b>						
Lettings through Subsidiary – Kavli Royal Society International Centre	1,562	499	(2,287)	(226)	(103)	
<b>Trading in furtherance of charitable activities</b>						
Publishing	7,754	–	(3,008)	4,746	3,963	
Lettings in furtherance of objectives – Carlton House Terrace	3,099	1,451	(2,974)	1,576	1,570	
Other	593	–	–	593	409	
<b>Total</b>	<b>13,008</b>	<b>1,950</b>	<b>(8,269)</b>	<b>6,689</b>	<b>5,839</b>	

The costs of the Society's publishing operation and the costs associated with the lettings in furtherance of charitable objects are included in 'Supporting and recognising excellence in science' on the face of the statement of financial activities. The costs of lettings through the subsidiary are included in expenditure on raising funds.

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



4. Grants for charitable activities						
	Unrestricted funds £'000	Restricted funds £'000	Expendable endowment funds £'000	Permanent endowment funds £'000	2018 Total funds £'000	2017 Total funds £'000
<b>From Government and other public bodies</b>						
Grant from the Department for Business, Energy and Industrial Strategy	992	46,109	–	–	47,101	47,221
Department for International Development	–	1,858	–	–	1,858	2,505
BEIS Newton fund	–	6,587	–	–	6,587	5,510
BEIS Global Challenges Research Fund	–	5,034	–	–	5,034	4,778
BEIS Investment Research Talent fund	–	9,173	–	–	9,173	–
Other grants from government and public bodies	–	66	–	–	66	118
<b>From other external bodies</b>						
Contribution to charitable activities	–	6,295	–	–	6,295	4,721
<b>Total</b>	992	75,122	–	–	76,114	64,853

Details of the income to and movement of individual funds are disclosed in note 24.

5. Other income						
	Unrestricted funds £'000	Restricted funds £'000	Expendable endowment funds £'000	Permanent endowment funds £'000	2018 Total funds £'000	2017 Total funds £'000
Other income	6	119	–	–	125	100
<b>Total</b>	6	119	–	–	125	100

6. Expenditure on raising funds						
	Unrestricted funds £'000	Restricted funds £'000	Expendable endowment funds £'000	Permanent endowment funds £'000	2018 Total funds £'000	2017 Total funds £'000
Direct costs on raising funds	499	–	–	–	498	525
Support costs on raising funds	637	–	–	–	637	509
Cost of trading	2,287	–	–	–	2,287	2,183
Investment management fees	125	341	108	378	953	958
<b>Total</b>	3,548	341	108	378	4,375	4,175

7. Expenditure on charitable activities						
	Staff costs £'000	Grant costs £'000 (Note 10)	Other direct costs £'000	Support costs £'000 (Note 8)	2018 Total £'000	2017 Restated total £'000
<b>Charitable activities</b>						
Promoting science and its benefits	1	751	185	12	949	474
Supporting and recognising excellence in science	3,393	58,490	5,286	4,088	71,257	59,554
Providing scientific advice for policy	1,757	–	616	2,053	4,426	3,662
Fostering international and global cooperation	611	13,779	994	755	16,139	15,022
Education and public engagement	1,336	231	1,192	1,753	4,512	4,380
<b>Total for costs of charitable activities</b>	7,098	73,251	8,273	8,661	97,283	83,092

8. Support costs						
	Media relations and public engagement £'000	Facilities and building management £'000	Support services £'000	Governance £'000	2018 Total £'000	2017 Total £'000
<b>Support costs on raising funds</b>	35	141	451	10	637	509
<b>Charitable activities</b>						
Promoting science and its benefits	1	3	8	–	12	10
Supporting and recognising excellence in science	222	904	2,901	61	4,088	3,515
Providing scientific advice for policy	112	454	1,456	31	2,053	1,749
Fostering international and global cooperation	41	167	536	11	755	643
Education and public engagement	95	388	1,244	26	1,753	1,495
<b>Total support costs</b>	506	2,057	6,596	139	9,298	7,921

Facilities and building management comprises the rent and running costs (maintenance, insurance, cleaning and security) of Carlton House Terrace.

Support services comprises finance, IT, HR, pension costs and corporate management.

Support costs are allocated on a pro-rata basis using departmental salary costs as a base.

9. Staff costs		
	2018 £'000	2017 £'000
<b>Costs by type</b>		
Salaries	8,998	8,223
Social Security costs	864	807
Pension costs	1,201	1,078
<b>Total</b>	<b>11,063</b>	<b>10,108</b>

As required by FRS102, included in 2018 staff costs is an amount of £241,000 (2017: £223,000) relating to holiday pay owed to staff at 31 March 2018.

Pension costs include Employer contributions to two Royal Society pension schemes, a defined contribution scheme and a defined benefit scheme, and the USS pension scheme as follows:

- The Royal Society Group Personal Pension Plan (defined contribution): £363,000 (2017: £285,000)
- The Pension and Life Assurance Plan of the Royal Society (defined benefit): £447,000 (2017: £294,000)
- USS: £100,000 (2017: £93,000)

The following numbers of employees of the Royal Society earning £60,000 per annum or more received total emoluments within the bands shown:

	2018	2017
£60,001 – £70,000	4	6
£70,001 – £80,000	9	3
£80,001 – £90,000	2	1
£90,001 – £100,000	1	1
£100,001 – £110,000	2	1
£110,001 – £120,000	1	1
£120,001 – £130,000	–	1
£130,001 – £140,000	1	–
£140,001 – £150,000	1	1
£150,001 – £160,000	–	1
£160,001 – £170,000	1	–
£290,001 – £300,000	–	1
£320,001 – £330,000	1	–

Of the above 23 (2017: 17) employees earning £60,000 per annum or more, 10 are key management personnel (2017: 10), with total remuneration of £1,502,000 including employer's NIC (2017: £1,448,000).

The average number of employees, analysed by function, was:

	2018	2017
Expenditure on raising funds	8	7
Expenditure on charitable activities	144	124
Support (including governance)	38	36
<b>Total</b>	<b>190</b>	<b>167</b>

The average full time equivalent was 189 (2017: 166).

Redundancy and termination payments were made to 1 employee during the year (2017: 2).

Total redundancy and termination payments in respect of this employee were £2,900 (2017: £79,000).

10. Grants				
	Grants to institutions £'000	Grants to individuals £'000	2018 Total £'000	2017 Total £'000
<b>Fellowships</b>				
University Research Fellowships	–	29,550	29,550	25,634
Dorothy Hodgkin Fellowships	–	3,884	3,884	2,682
Newton Advanced Fellowships	–	3,584	3,584	3,534
Newton International Fellowships	–	4,915	4,915	3,746
RS Challenge Grants	–	2,019	2,019	3,451
Professorship of Public Engagement	–	36	36	36
Wolfson Research Merit Award	2,807	–	2,807	2,931
Leverhulme Trust Senior Research Fellowships	–	317	317	330
Royal Society Research Professorships	–	10,274	10,274	5,958
Industry Fellowships	–	1,445	1,445	1,305
RS Visiting Research Professorship	–	1,772	1,772	680
International Fellowship Grants	–	288	288	213
Sir Henry Dale Fellowships	–	3,200	3,200	2,900
<b>Education Schemes</b>				
Education Research Fellowships	–	10	10	–
Partnership grants scheme	84	–	84	86
Other Education grants	3	2	5	20
<b>Other Grant Programmes</b>				
Australian Academy of Science Think Tank	–	310	310	302
Brian Mercer Awards	–	751	751	304
Commonwealth Science	–	162	162	172
Paul Instrument Fund	–	197	197	151
Awards and prizes	–	739	739	362
Leverhulme Trust Senior Research Fellowships	–	–	–	412
Leverhulme Trust APEX Awards	–	138	138	–
Newton International Exchanges	–	742	742	590
International Exchanges	–	2,433	2,433	1,766
DFID Africa Awards	–	1,659	1,659	2,319
Royal Society Africa Exchanges	–	–	–	68
Foundation for Science and Technology	–	30	30	25
Entrepreneur in Residence	–	214	214	–
Kavli Scientific Seminars	–	1	1	20
Wolfson Laboratory Refurbishment Grants	1,608	–	1,608	1,172
Other	51	26	77	2
<b>Total</b>	<b>4,553</b>	<b>68,698</b>	<b>73,251</b>	<b>61,171</b>

10. Grants (continued)			
	Number	2018 Total £'000	2017 Total £'000
<b>Recipients of institutional grants</b>			
University of Oxford	16	421	236
Imperial College London	15	393	272
University of Leeds	14	344	336
University of Exeter	11	326	82
University of Cambridge	14	271	388
University College London	17	268	201
University of Warwick	17	175	180
University of Glasgow	10	159	269
University of Bristol	16	157	144
University of Edinburgh	16	156	129
University of Southampton	15	147	177
University of Manchester	11	128	137
University of Birmingham	11	110	95
University of Leicester	6	99	72
University of St Andrews	9	93	116
University of Bath	8	77	75
University of Nottingham	9	73	164
University of York	4	59	83
King's College London	5	55	64
University of Surrey	5	46	51
University of Durham	3	40	58
Institute of Cancer Research	–	–	35
Other organisations	97	955	892
<b>Total</b>	<b>329</b>	<b>4,552</b>	<b>4,256</b>

Grants are generally awarded to particular individuals, although the actual award is made to the host organisation.

Details of individual grants awarded during the year analysed by organisation are available from the finance department on request.

11. Reconciliation of grants payable		
	2018 Total £'000	2017 Total £'000
Liability at 1 April	882	1,473
New grants awarded in year	75,034	62,463
Grants paid in year	(71,080)	(61,763)
Grants refunded to the Society	(1,784)	(1,291)
<b>Liability at 31 March</b>	<b>3,052</b>	<b>882</b>

All grants payable fall due within one year.

12. Payments to Trustees and Related Party Transactions		
	2018 Total £'000	2017 Total £'000
Expenses: Travel and subsistence	108	115

No Trustees received remuneration from the Society in the year (2017: Nil).  
Expenses were reimbursed to or paid on behalf of 23 Trustees (2017: 21 Trustees).

#### Indemnity insurance

With the consent of the Charity Commission, the Society has taken out Trustees' indemnity insurance.  
The cost of this insurance for the year was £8,000 (2017: £8,000). No claims have been made under this policy.

#### Grants and awards

Professor Andrew Hopper FRS was a Nominated Referee on a Commonwealth Science Follow-on Travel Grant awarded to Dr Tavpritesh Sethi. The total value of the award is £6,000. This was awarded and taken up in 2017/18 financial year. The amount paid to Dr Tavpritesh Sethi in 2017/18 was £6,000.

Professor Carol Robinson FRS was a Nominated Referee on Wolfson Research Merit Awards 2017 Round 3 awarded to Dr Philipp Kukura. The total value of the award is £150,000. This was awarded and taken up in the 2017/18 financial year. The amount paid in relation to this award in 2017/18 was £7,500.

#### Other

Sir Venki Ramakrishnan, President of the Royal Society, has use of the President's flat at Carlton House Terrace.

#### Related Party Transactions

Dr Hermann Hauser is a partner of Amadeus Capital Partners Limited. The Society has entered into a Limited Partnership Agreement with Amadeus to manage and administer the Enterprise Fund, a restricted fund of the Society which invests in early-stage science-based companies. Amadeus Capital Partners received £258,508 in 2017/18 in relation to the operation of the fund (2017: £251,277).

The Royal Society had two wholly-owned trading subsidiaries during the year, Royal Society Trading Limited 06967016 and Royal Society (London) Ltd 08808518.

13. Total resources expended include the following amounts:		
	2018 Total £'000	2017 Total £'000
<b>Operating lease rentals</b>		
Plant and machinery	48	48
Rent	490	490
	<b>538</b>	<b>538</b>

#### Fees payable to the Charity's auditors for:

The audit of the Charity and Group accounts	32	31
The audit of the Charity's subsidiaries accounts pursuant to legislation	4	5
The audit of the Charity's pension scheme*	4	3
Grant audits	1	1
(Over)/ under provisions for the prior year fees	–	(7)
<b>Total audit fees</b>	<b>41</b>	<b>33</b>

\* The audit of the Charity's pension scheme was conducted by Grant Thornton UK LLP

#### Charges on owned assets

Depreciation	1,683	1,695
	<b>1,683</b>	<b>1,695</b>

#### 14. Financial memoranda

##### Income and expenditure relating to government grants during the year was as follows:

	2018 Total £'000	2017 Total £'000
<b>Department for Business, Energy and Industrial Strategy – core grant</b>		
Income	47,101	47,221
Expenditure	(47,101)	(47,221)
	–	–
<b>Department for Business, Energy and Industrial Strategy – Investment in Research Talent Fund</b>		
Income	9,173	–
Expenditure	(9,173)	–
	–	–
<b>Department for International Development grant</b>		
Income	1,858	2,505
Expenditure	(1,858)	(2,512)
	–	(7)
<b>BEIS Global Challenges Research Fund</b>		
Income	5,034	4,778
Expenditure	(5,034)	(4,778)
	–	–

#### 15. Tangible fixed assets – Group and Charity

	Chicheley Hall freehold and property improvement £'000	Chicheley Hall computers and other equipment £'000	Leasehold improvements £'000	Computers and other equipment £'000	Assets under development £'000	2018 £'000	2017 £'000
<b>Cost</b>							
At 1 April	17,593	722	19,858	3,075	895	42,143	41,334
Additions	2	4	9	89	615	719	1,140
Disposals	–	–	(6)	–	(66)	(72)	(331)
Transfers	–	(4)	10	327	(333)	–	–
<b>At 31 March</b>	<b>17,595</b>	<b>722</b>	<b>19,871</b>	<b>3,491</b>	<b>1,111</b>	<b>42,790</b>	<b>42,143</b>
<b>Depreciation</b>							
At 1 April	14,039	535	9,987	2,247	–	26,808	25,428
Charge for year	69	69	1,241	304	–	1,683	1,695
Disposals	–	–	(6)	–	–	(6)	(315)
<b>At 31 March</b>	<b>14,108</b>	<b>604</b>	<b>11,222</b>	<b>2,551</b>	<b>–</b>	<b>28,485</b>	<b>26,808</b>
<b>Net book value at 31 March 2018</b>	<b>3,487</b>	<b>118</b>	<b>8,649</b>	<b>940</b>	<b>1,111</b>	<b>14,305</b>	<b>–</b>
Net book value at 31 March 2017	3,554	187	9,871	828	895		15,335

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

The Group and the Charity have freehold property with a net book value of £3,487,000 (2017: £3,555,000).

#### 16. Capital commitments – Group and Charity

	2018 £'000	2017 £'000
Authorised and contracted for	36	843
Authorised but not contracted for	2,101	979
<b>Total Commitment</b>	<b>2,137</b>	<b>1,822</b>

At the balance sheet date, £740,000 (2017: £615,000) of capital commitments was authorised for refurbishment of 6–9 Carlton House Terrace. A further spend of £586,000 (2017: £609,000) had been authorised on IT projects. £258,000 (2017: £197,000) had been authorised for the historic maintenance of Chicheley Hall. Other general capital items total £553,000 (2017: £401,000), of which £36,000 (2017: £342,000) has been contracted for by the year end.

## 17. Heritage assets – Group and Charity

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 has four main components:

### 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

These comprise 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

The collection comprises approximately 150 items and includes scientific instruments, furniture and furnishings, and the Society's Charter Book.

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

### Summary of heritage asset transactions

	Assets held at cost £'000	Assets held at valuation £'000	2018 £'000	2017 £'000
<b>Purchases/donations</b>				
At 1 April	36,195	13,105	49,300	49,277
Additions	20	1	21	23
<b>Valuation or cost at 31 March</b>	<b>36,215</b>	<b>13,106</b>	<b>49,321</b>	<b>49,300</b>

### The heritage assets comprise:

Printed books	13,270	13,269
Archives	22,877	22,877
Picture, sculptures and other works of art	9,403	9,383
Other artefacts	3,771	3,771
<b>Total</b>	<b>49,321</b>	<b>49,300</b>

The Printed Books and Archives were valued in 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. Assets are held at valuation as a proxy for cost.

The paintings and furniture at Chicheley Hall were valued in March 2015 by Weller King, Fine Art Dealers. 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 considered there to be no indicator of material impairment on the present market values/replacement values compared to those stated.

## 17. Heritage assets (continued)

### Five year financial summary of heritage asset transactions

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
<b>Purchases/donations</b>					
Printed books	1	13	13	3	3
Archives	–	23	4	–	–
Picture, sculptures and other works of art	20	9	54	–	19
Other artefacts	–	4	–	112	–
<b>Total Purchases/donations</b>	<b>21</b>	<b>49</b>	<b>71</b>	<b>115</b>	<b>22</b>

Donated heritage assets are recognised in the year they are 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 ongoing cataloguing project and 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").

The Society's modern records have been subject to a full audit, completed in April 2011. This process enabled the full-life management, destruction and permanent archiving of pertinent files. Conservation of damaged items is now underway.

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, International Standard Archival Description (ISAD) for archival cataloguing, SPECTRUM for museum standards and picture control).

18. Investments – Group and Charity		
	2018 £'000	2017 £'000
<b>Valuation at 1 April</b>	243,864	200,099
Additions of investments	30,718	25,137
Disposal of investments	(21,900)	(37,555)
Net change in cash invested for trades within portfolio	(9,450)	12,097
Investment management costs	(952)	(958)
Net cash (withdrawn)/added to portfolio	(3,552)	4,491
Net gains on valuation at 31 March	816	40,553
<b>Valuation at 31 March</b>	<b>239,544</b>	<b>243,864</b>
<b>Total historical cost at the end of the year</b>	<b>181,175</b>	<b>176,974</b>

**The valuation at 31 March 2018 comprises:**

Investments listed on a recognised stock exchange including investments and unit trusts:

UK	119,597	106,422
Overseas	92,791	92,044
Other Unlisted Securities:		
UK	8,543	10,454
Overseas	6,060	7,718
Cash:		
UK	6,007	13,014
Overseas	6,546	14,212
<b>Total</b>	<b>239,544</b>	<b>243,864</b>

Overseas investments comprise equities, unit/investment trusts and fixed interest funds.

The Society owns 100% of the issued share capital of The Royal Society Trading Limited (note 27). The principal activity of the company is conferencing activities at Chicheley Hall.

The Society owns 100% of the issued share capital of the Royal Society (London) Ltd (note 27). No business activity was undertaken from the date of incorporation to 31 March 2018.

**Funds are invested as follows:**

	2018 £'000	2017 £'000
Specific investments – Amadeus RSEF	7,854	9,771
Specific investments – Theo Murphy Australia Fund	3,299	3,915
Pooled investments	228,391	230,178
<b>Total</b>	<b>239,544</b>	<b>243,864</b>

19. Debtors – Group				
	2018 Receivable within one year £'000	2018 Receivable after one year £'000	2017 Receivable within one year £'000	2017 Receivable after one year £'000
Trade debtors	4,531	–	3,196	–
Grants receivable	250	–	750	250
Legacy receivable	1,486	–	704	–
Other debtors	182	–	10	–
Accrued income	1,253	–	1,219	–
Prepayments	341	–	741	–
<b>Total</b>	<b>8,043</b>	<b>–</b>	<b>6,620</b>	<b>250</b>

Included in the Group debtors are debtors of £42,000 (2017: £135,000) of Royal Society Trading Ltd. All other debtors relate to the Charity.

The Charity holds a loan in respect of the Royal Society Trading Ltd of £684,000 (2017: £594,000).

20. Creditors – Group				
	2018 Due within one year £'000	2018 Due after one year £'000	2017 Due within one year £'000	2017 Due after one year £'000
Trade creditors	1,147	–	1,538	–
Publications advanced sales	3,569	–	4,068	–
Chicheley advanced sales	164	–	163	–
Grants payable	3,052	–	882	–
Other creditors	189	10	626	30
Accruals and provisions	912	151	1,083	162
Deferred income	6,073	–	6,176	–
<b>Total</b>	<b>15,106</b>	<b>161</b>	<b>14,536</b>	<b>192</b>

Included in the Group creditors are creditors of £520,000 (2017: £564,000) relating to Royal Society Trading Ltd. All other creditors relate to the Charity.

As at 31 March 2018, the Charity owed Royal Society Trading Limited £82,000 (2017: £70,000).

As required by FRS102, included within accruals and provisions 2018 is a provision for a liability under the deficit recovery plan for the Universities Superannuation Scheme (USS) multi-employer pension scheme. A total amount of £162,000 has been provided for, comprising £11,000 due within one year and £151,000 due within more than one year. This provision has been calculated using the modeller developed by the British Universities Finance Directors Group (BUFDG), with the support of the USS trustee company, to provide a tool for estimating the liability under the recovery plan for accounting purposes.

**Reconciliation of deferred income**

	2018 £'000	2017 £'000
Deferred income brought forward	6,176	3,946
Amount released from previous year	(6,176)	(3,946)
Incoming resources deferred in the year	6,073	6,176
<b>Total</b>	<b>6,073</b>	<b>6,176</b>

21. Other assets				
	Group 2018 £'000	Group 2017 £'000	Charity 2018 £'000	Charity 2017 £'000
<b>Stock on hand</b>				
Conference and catering	34	34	21	25
Bio fuel	8	10	–	–
<b>Total</b>	<b>42</b>	<b>44</b>	<b>21</b>	<b>25</b>
<b>Cash at Bank</b>				
Pounds Sterling	2,462	1,063	2,215	677
Foreign currency	2,235	1,591	2,235	1,591
<b>Total</b>	<b>4,697</b>	<b>2,654</b>	<b>4,450</b>	<b>2,268</b>

22. Statement of total returns – Group and Charity			
	Expendable endowment £'000	Permanent endowment £'000	2018 Total £'000
<b>Investment returns</b>			
Investment Income	900	2,953	3,853
Capital gains/losses	704	2,225	2,929
Investment management costs	(108)	(378)	(486)
<b>Total return for year</b>	<b>1,496</b>	<b>4,800</b>	<b>6,296</b>
Indexation	(696)	(2,286)	(2,982)
Less application of total return	(1,228)	(3,855)	(5,083)
<b>Net total return for the year</b>	<b>(428)</b>	<b>(1,341)</b>	<b>(1,769)</b>
<b>Unapplied Total return</b>			
At 1 April 2017 (As restated)	10,028	32,426	42,454
At 31 March 2018	9,600	31,085	40,685

23. Analysis of net assets between funds – Group						
	Unrestricted funds £'000	Restricted funds £'000	Expendable endowment funds £'000	Permanent endowment funds £'000	2018 Total funds £'000	2017 Total funds £'000
<b>Funds balances at 31 March are represented by:</b>						
Tangible fixed assets	14,305	–	–	–	<b>14,305</b>	15,335
Heritage assets	49,321	–	–	–	<b>49,321</b>	49,300
Investments	34,016	39,820	38,136	127,572	<b>239,544</b>	243,864
Net current liabilities	(2,324)	–	–	–	<b>(2,324)</b>	(4,968)
Creditors: Due after one year	(161)	–	–	–	<b>(161)</b>	(192)
Defined benefit pension scheme liability	(11,019)	–	–	–	<b>(11,019)</b>	(10,073)
<b>Net assets</b>	<b>84,138</b>	<b>39,820</b>	<b>38,136</b>	<b>127,572</b>	<b>289,666</b>	293,266

The net current liabilities in 2018 are funded by investments, which could be realised to meet the net liabilities as they fall due.

Included in the Group net current liabilities are liabilities of £812,000 (2017: £585,000) of Royal Society Trading Ltd.

All other net current liabilities relate to the Charity.

24. Movements on Trust and specific funds in year – Group and Charity											
	Relevant value b/f (As restated) £'000	Indexation £'000	Relevant value c/f £'000	Unapplied total return at 1 April 2017 (As restated) £'000	Income £'000	Investment gain/(loss) £'000	Expenditure £'000	Indexation £'000	Transfers application of total return £'000	Unapplied total return at 31 March 2018 £'000	Total at 31 March 2018 £'000
<b>Permanent endowment funds</b>											
Life Sciences Trust	10,832	271	11,103	4,377	363	273	(43)	(271)	(525)	4,174	15,277
Maths and Physical Sciences Trust	9,936	248	10,184	4,044	333	251	(44)	(248)	(482)	3,853	14,038
RW Paul Instrument Fund	10,653	266	10,919	3,640	341	257	(44)	(266)	(275)	3,653	14,572
Theo Murphy – UK	51,065	1,277	52,342	17,930	1,645	1,240	(211)	(1,277)	(2,397)	16,930	69,272
Other Permanent Endowments	8,941	224	9,165	2,436	271	204	(36)	(224)	(176)	2,475	11,640
<b>Total Permanent endowments part of the UTR</b>	<b>91,427</b>	<b>2,286</b>	<b>93,713</b>	<b>32,427</b>	<b>2,953</b>	<b>2,225</b>	<b>(378)</b>	<b>(2,286)</b>	<b>(3,855)</b>	<b>31,085</b>	<b>124,798</b>
Funds not part of the Unapplied Total return											
Theo Murphy – Australia	3,213					(439)					2,774
<b>Total Permanent Endowments</b>	<b>94,640</b>	<b>2,286</b>	<b>93,713</b>	<b>32,427</b>	<b>2,953</b>	<b>1,786</b>	<b>(378)</b>	<b>(2,286)</b>	<b>(3,855)</b>	<b>31,085</b>	<b>127,572</b>
<b>Expendable Endowment Funds</b>											
General Trust Fund	10,386	260	10,646	4,297	349	273	(43)	(260)	(506)	4,111	14,756
Life Sciences Trust	6,348	159	6,507	2,565	212	166	(25)	(159)	(308)	2,452	8,959
Maths and Physical Sciences Trust	3,457	86	3,543	1,408	116	91	(14)	(86)	(91)	1,424	4,967
Other Expendable funds	7,649	191	7,840	1,757	223	174	(26)	(191)	(323)	1,614	9,454
<b>Total expendable endowment funds</b>	<b>27,840</b>	<b>696</b>	<b>28,536</b>	<b>10,027</b>	<b>900</b>	<b>704</b>	<b>(108)</b>	<b>(696)</b>	<b>(1,228)</b>	<b>9,601</b>	<b>38,136</b>

Indexation has been applied using the annual CPI rate to March. Prior year figures have been adjusted to reflect the updated CPI rate in March 2017.

24. Movements on Trust and specific funds in year – Group and Charity (continued)						
	Brought forward at 1 April 2017 £'000	Income £'000	Investment and actuarial gain/(loss) £'000	Expenses £'000	Transfers £'000	Carried forward at 31 March 2018 £'000
<b>Restricted funds</b>						
Life Sciences Trust	7,551	208	48	(2,943)	552	5,416
Maths and Physical Sciences Trust	6,270	160	7	(448)	448	6,437
Enterprise Fund	9,771	3	(1,703)	(217)	0	7,854
Other restricted funds	19,387	77,863	14	(77,943)	792	20,113
<b>Total restricted funds</b>	<b>42,979</b>	<b>78,234</b>	<b>(1,634)</b>	<b>(81,551)</b>	<b>1,792</b>	<b>39,820</b>
<b>Unrestricted funds</b>						
General Trust Fund	14,201	412	(50)	(518)	401	14,446
BEIS Science and Research	–	992	–	(992)	–	–
Revaluation Reserve	47,856	–	–	–	–	47,856
Defined Benefit Pension Reserve	(10,073)	–	(1,091)	145	–	(11,019)
General Purpose	33,369	14,842	10	(18,256)	2,890	32,855
<b>Total unrestricted funds</b>	<b>85,353</b>	<b>16,246</b>	<b>(1,131)</b>	<b>(19,621)</b>	<b>3,291</b>	<b>84,138</b>

#### Purposes of funds

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". The Australia Fund will carry out activities in Australia in accordance with the will.

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 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.

Other Restricted Funds comprise monies received to fund separate restricted projects in line with our charitable activities and are held as separate individual funds in our accounts.

The Society receives a core grant from BEIS. This supports work on scientific excellence and innovation, science and mathematics education, international activities and science communication activities. £2,980,000 (2017: £3,100,000) of BEIS funding appears in transfers this year. This mainly comprises the £2,000,000 (2017: £2,000,000) contribution to Wolfson Research Merit Grants as well as a £980,000 (2017: £1,100,000) contribution to Industry Fellowships. In addition, the Society received £9,200,000 (2017: £0) from BEIS Investment and Research Talent Fund.

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

The Transfers between projects and funds include administration charges of the investments held in the trusts, administration costs reclaimed from projects where applicable, notional interest paid to projects in respect of income held during the year and any income released to the general reserves at the end of projects (where allowed under the gift or grant agreement).



## 25. Financial Commitments – Group and Charity

### At 31 March 2018 the Society had the following commitments:

Total future minimum lease payments under a non-cancellable operating lease in respect of occupation of 6 – 9 Carlton House Terrace, London is as follows for each of the following periods:

	2018 £'000	2017 £'000
Less than one year	490	490
One to five years	1,960	1,960
Over five years	20,090	20,580
<b>Total</b>	<b>22,540</b>	<b>23,030</b>

The lease is due to expire on 5 January 2064 however the next 10 yearly rent review is due on 5 January 2025.

Agreements and commitments to fund research professorships / fellowships and other grants totalling £160,800,000 (2017: £117,000,000). Of these, £49,000,000 (2017: £47,000,000) are due in less than one year, and £111,800,000 (2017: £70,000,000) in between two and five years. There are no grants payable in more than 5 years. As the Society retains the discretion to terminate these grants they are treated as liabilities of future periods and will be financed by specific grants or other income receivable in those periods.

The Society has entered into investment contract commitments totalling £576,000 (2017: £725,000) payable at dates yet to be agreed.

## 26. Pension obligations – Group and Charity

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"), with assets held in a separately administered fund. The Plan provides retirement benefits on the basis of members' final salary. The Plan is closed to new members, although remains open to future benefit accrual, and provides benefits on a defined benefit basis.

The most recent valuation of the Plan under FRS102 was carried out as at 31 March 2018. The valuation of the Plan used the projected unit method and was carried out by Barnett Waddingham LLP, professionally qualified actuaries.

The FRS102 liability does not include any allowance for discretionary benefits. The Employer expects to make contributions to the Plan during the year to 31 March 2019 of around £1,128,000 (2018: 1,242,000).

The Plan is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Plan is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the Employer must agree with the trustees of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective and contributions to pay for future accrual of benefits.

The full actuarial valuation at 1 January 2016 showed a decrease in the deficit from £4,744,000 to £3,716,000. It has been agreed with the Trustees that the Employer will pay £358,500 on or before each 30 April and 31 October in the years 2016 to 2021 inclusive to meet the deficit.

Contributions payable by the Employer in respect of future benefit accrual and expenses are at the rate of 23.9% of Pensionable Salaries. Members' contributions are 7% of Pensionable Salaries. Life cover and dependants' pensions in respect of death in service are provided by additional insurance premiums.

## 26. Pension obligations – Group and Charity (continued)

### The Principal assumptions used to calculate Plan liabilities include:

	2018 % pa	2017 % pa
Inflation (RPI)	3.2	3.3
Inflation (CPI)	2.2	2.3
Salary escalation	2.0	2.0
Increase to pensions in payment* – subject to LPI minimum 4%	4.2	4.2
Increase to pensions in payment* – subject to LPI	3.1	3.2
Statutory revaluation	2.2	2.3
Discount rate (pre-and-post-retirement)	2.7	2.8
Pre-retirement mortality table	S2NA	S2NA
Post-retirement mortality table	S2NA	S2NA
Post-retirement mortality projection	CMI_2017 projections with LTR of 1.5% pa	CMI_2016 projections with LTR of 1.5% pa
Tax free cash	20% of pension	20% of pension
Withdrawals	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:

	2018	2017
Male currently aged 40	29.0 years	29.1 years
Female currently aged 40	31.1 years	31.2 years
Male currently aged 60	27.1 years	27.2 years
Female currently aged 60	29.2 years	29.3 years

**26. Pension obligations – Group and Charity (continued)**

The assets in the Plan were:

	Value at 31 March 2018 £'000	Value at 31 March 2017 £'000
Equities	20,845	19,680
Index-linked gilts	–	8,680
LDI Portfolio	8,814	–
Cash	139	502
Diversified growth	10,352	9,564
Annuity policies	6,072	6,627
<b>Total market value of Plan assets</b>	<b>46,222</b>	45,053
Present value of scheme liabilities	(57,241)	(55,126)
<b>Net pension liability</b>	<b>(11,019)</b>	(10,073)

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

**Reconciliation of present value of scheme liabilities**

	Value at 31 March 2018 £'000	Value at 31 March 2017 £'000
<b>Defined benefit obligation at 1 April</b>	<b>55,126</b>	<b>47,913</b>
Current service cost	484	445
Contributions by Plan participants	131	168
Interest cost	1,526	1,754
Benefits paid	(1,369)	(1,191)
Experience loss/(gain) on liabilities	186	(545)
Changes to demographic assumptions	649	(3,948)
Changes to financial assumptions	508	10,530
<b>Defined benefit obligation at 31 March</b>	<b>57,241</b>	55,126

**26. Pension obligations – Group and Charity (continued)****Reconciliation of fair value of scheme assets**

	Value at 31 March 2018 £'000	Value at 31 March 2017 £'000
<b>Fair value of scheme assets at 1 April</b>	<b>45,053</b>	<b>39,300</b>
Interest on assets	1,257	1,452
Contributions by the Employer	1,164	1,176
Contributions by Scheme participants	131	168
Benefits paid	(1,369)	(1,191)
Administration costs	(266)	(287)
Return on Plan assets less interest	252	4,435
<b>Fair value of scheme assets at 31 March</b>	<b>46,222</b>	45,053

The actual return on Plan assets in the year was £2,090,000 (2017: £5,890,000).

**Analysis of the amount charged to the statement of financial activities – operations**

	Value at 31 March 2018 £'000	Value at 31 March 2017 £'000
Current service cost	484	445
Administration costs	266	287
Interest cost	1,526	1,754
Interest on assets	(1,257)	(1,452)
<b>Total charge</b>	<b>1,019</b>	1,034

**Actuarial gains and losses**

	Value at 31 March 2018 £'000	Value at 31 March 2017 £'000
Gains on scheme assets in excess of interest	(252)	(4,435)
Experience losses/ (gains) on liabilities	186	(545)
Losses/ (gains) from changes to demographic assumptions	649	(3,948)
Losses from changes to financial assumptions	508	10,530
<b>Actuarial losses</b>	<b>1,091</b>	1,602

## 26. Pension obligations – Group and Charity (continued)

The Royal Society ("the Employer") operates two pension schemes and contributes to the Universities Superannuation Scheme (USS).

Three members of the Society's staff are active members of USS, a defined benefit scheme (2017: three members). During the year ended 31 March 2018, employer contributions to this scheme totalled £100,000 (2017: £93,000). The employer contribution rates at the year end was 18% (2017: 18%).

USS is a defined benefit scheme which is externally funded and valued every three years by professionally qualified independent actuaries using the Projected Unit Method. The scheme is a "last man standing" scheme which means that in the event that another member institution becomes insolvent the other participating members will pick up any funding shortfall.

At the date of the latest actuarial valuation of the scheme (31 March 2014), the assets were sufficient to cover 86% of the benefits that had accrued to members; the deficit at 31 March 2016 was £10.0bn (2015: £8.2bn). The triennial valuation as at 31 March 2018 is still pending.

Based on expected contributions until 31 March 2031, the net present value of the payment towards the reduction of the deficit is estimated using the modeller developed by the British Universities Finance Directors Group (BUFDG), with the support of the USS trustee company, as a tool for estimating the liability under the recovery plan for accounting purposes. An initial liability of £184,000 was charged to the Statement of Financial Activities during 2015/16 and recorded as a liability on the balance sheet to be unwound over time (initially over the period to 2031) as the liability is discharged; to 31 March 2018, £22,000 of this provision has been released. Further information can be found at <https://www.uss.co.uk>

## 27. Subsidiary undertakings

The Society owns 100% of the £1 called-up and issued share capital of Royal Society Trading Limited 06967016. Royal Society Trading Limited company has been set up to process the activities that occur at Chicheley Hall.

The Society also owns 100% of the £1 called-up and issued share capital of The Royal Society (London) Ltd 08808518. The Royal Society (London) Ltd company was incorporated on 10 December 2013, has been set up to process certain trading activities that occur at Carlton House Terrace and has had no activity in the year.

	2018 £'000	2017 £'000
--	---------------	---------------

### Results of Royal Society Trading Limited for the year ended 31 March:

	2018 £'000	2017 £'000
<b>Trading income</b>		
Internal income	499	545
External income	1,562	1,535
Cost of sales	(2,245)	(2,126)
<b>Gross profit</b>	<b>(184)</b>	(46)
Administrative expenses	(30)	(45)
<b>Operating loss</b>	<b>(214)</b>	(91)
Interest on loan account to parent	(12)	(12)
<b>Result for the period</b>	<b>(226)</b>	(103)
Total funds brought forward at 1 April	(586)	(483)
<b>Total funds carried forward at 31 March</b>	<b>(812)</b>	(586)

### Balance Sheet of Royal Society Trading Limited as at 31 March:

<b>Current assets</b>		
Stock	21	19
Debtors	125	167
Cash at bank and in hand	247	386
	<b>393</b>	572
Creditors: amounts falling due within one year	(1,205)	(1,158)
<b>Net Current Liabilities</b>	<b>(812)</b>	(586)
<b>Capital and reserves</b>		
Called up share capital	–	–
Profit & loss reserve	(812)	(586)
<b>Shareholder's funds</b>	<b>(812)</b>	(586)

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

Royal Society (Australia) Pty Limited ACN 126112678 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.

**28. Prior year comparison – Consolidated statement of financial activities**

(Incorporating an income and expenditure account)

**For the year ended 31 March 2017**

	Notes	Unrestricted funds £'000	Restricted funds £'000	Expendable endowment funds £'000	Permanent endowment funds £'000	2017 Total funds £'000
Income and endowments from donations and legacies	1	645	1,275	1,000	250	3,170
<b>Income from charitable activities</b>						
Grants for charitable activities	4	992	63,861	–	–	64,853
Trading in furtherance of charitable activities	3	9,902	382	–	–	10,284
		10,894	64,243	–	–	75,137
Other trading activities	3	1,535	–	–	–	1,535
Income from investments	2	1,082	787	785	2,574	5,228
Other income	5	5	95	–	–	100
<b>Total income</b>		14,161	66,400	1,785	2,824	85,170
Raising funds	6	3,317	498	84	276	4,175
<b>Expenditure on charitable activities</b>						
Promoting science and its benefits	7	76	398	–	–	474
Supporting and recognising excellence in science		9,154	50,400	–	–	59,554
Providing scientific advice for policy		1,663	1,999	–	–	3,662
Fostering international and global cooperation		679	14,343	–	–	15,022
Education and public engagement		2,730	1,650	–	–	4,380
		14,302	68,790	–	–	83,092
<b>Total expenditure</b>		17,619	69,288	84	276	87,267
<b>Net (expenditure)/ income before net (losses)/gains on investments</b>		<b>(3,458)</b>	<b>(2,888)</b>	<b>1,701</b>	<b>2,548</b>	<b>(2,097)</b>
Net gains on investments	18	7,847	6,671	5,846	20,189	40,553
<b>Net income for the year</b>		<b>4,389</b>	<b>3,783</b>	<b>7,547</b>	<b>22,737</b>	<b>38,456</b>
Gross transfers between funds	24	557	3,477	(1,231)	(2,803)	–
Actuarial losses on defined benefit pension scheme	26	(1,602)	–	–	–	(1,602)
<b>Net movement in funds</b>		<b>3,344</b>	<b>7,260</b>	<b>6,316</b>	<b>19,934</b>	<b>36,854</b>
<b>Total funds brought forward</b>		<b>82,009</b>	<b>35,719</b>	<b>31,552</b>	<b>107,132</b>	<b>256,412</b>
<b>Total funds carried forward</b>		<b>85,353</b>	<b>42,979</b>	<b>37,868</b>	<b>127,066</b>	<b>293,266</b>

'Recognising excellence in science' was shown as a separate charitable activity in 2017. This has been merged with 'Supporting outstanding science' and presented as 'Supporting and recognising excellence in science' in 2018.

**29. Prior year comparison – Analysis of net assets between funds – Group**

	Unrestricted funds £'000	Restricted funds £'000	Expendable endowment funds £'000	Permanent endowment funds £'000	2017 Total funds £'000
<b>Funds balances at 31 March 2017 are represented by:</b>					
Tangible fixed assets	15,335	–	–	–	15,335
Heritage assets	49,300	–	–	–	49,300
Investments	35,951	42,979	37,868	127,066	243,864
Net current liabilities	(4,968)	–	–	–	(4,968)
Creditors: Due after one year	(192)	–	–	–	(192)
Defined benefit pension scheme liability	(10,073)	–	–	–	(10,073)
<b>Net assets</b>	<b>85,353</b>	<b>42,979</b>	<b>37,868</b>	<b>127,066</b>	<b>293,266</b>

Included in the Group net current liabilities are liabilities of £812,000 (2017: £585,000) of Royal Society Trading Ltd. All other net current liabilities relate to the Charity.

**30. Prior year comparison – Movements on Trust and specific funds in year – Group**

	Brought forward at 1 April 2016 £'000	Income £'000	Expenditure £'000	Transfers £'000	Investment and actuarial gain/(loss) £'000	Carried forward at 31 March 2017 £'000
<b>Permanent endowment funds</b>						
Life Sciences Trust	13,037	319	(34)	(484)	2,371	15,209
Maths and Physical Sciences Trust	11,958	295	(31)	(444)	2,202	13,980
RW Paul Instrument Fund	12,022	298	(34)	(213)	2,219	14,292
Theo Murphy – UK	58,459	1,431	(161)	(1,492)	10,758	68,995
Theo Murphy – Australia	2,302	–	–	–	911	3,213
Other Permanent Endowments	9,604	231	(16)	(170)	1,728	11,377
<b>Total permanent endowment funds</b>	<b>107,382</b>	<b>2,574</b>	<b>(276)</b>	<b>(2,803)</b>	<b>20,189</b>	<b>127,066</b>
<b>Expendable endowment funds</b>						
General Trust Fund	12,568	310	(31)	(466)	2,304	14,685
Life Sciences Trust	7,641	187	(20)	(284)	1,390	8,914
Maths and Physical Sciences Trust	4,161	103	(11)	(155)	766	4,864
Other Expendable Endowments	8,182	184	(21)	(326)	1,386	9,405
<b>Total expendable endowment funds</b>	<b>32,552</b>	<b>784</b>	<b>(83)</b>	<b>(1,231)</b>	<b>5,846</b>	<b>37,868</b>
<b>Restricted funds</b>						
Life Sciences Trust	6,238	1,045	(1,635)	768	1,135	7,551
Maths and Physical Sciences Trust	5,991	161	(1,584)	599	1,103	6,270
Enterprise Fund	7,774	10	(362)	–	2,349	9,771
Other Restricted Funds	15,715	65,185	(65,707)	2,110	2,084	19,387
<b>Total restricted funds</b>	<b>35,718</b>	<b>66,401</b>	<b>(69,288)</b>	<b>3,477</b>	<b>6,671</b>	<b>42,979</b>

30. Prior year comparison – Movements on Trust and specific funds in year – Group (continued)						
	Brought forward at 1 April 2016 £'000	Income £'000	Expenditure £'000	Transfers £'000	Investment and actuarial gain/(loss) £'000	Carried forward at 31 March 2017 £'000
<b>Unrestricted funds</b>						
General Trust Fund	11,524	623	(617)	558	2,113	<b>14,201</b>
BEIS Science and Research	–	992	(992)	–	–	–
Revaluation Reserve	47,856	–	–	–	–	<b>47,856</b>
Defined Benefit Pension Reserve	(8,613)	–	142	–	(1,602)	<b>(10,073)</b>
General Purpose	31,242	12,553	(16,159)	(1)	5,734	<b>33,369</b>
<b>Total unrestricted funds</b>	<b>82,009</b>	<b>14,168</b>	<b>(17,626)</b>	<b>557</b>	<b>6,245</b>	<b>85,353</b>
<b>Total for all trusts</b>						
Life Sciences Trust	26,916	1,551	(1,689)	–	4,896	31,674
Maths and Physical Sciences Trust	22,110	559	(1,626)	–	4,071	25,114
RW Paul Instrument Fund	12,022	298	(34)	(213)	2,219	14,292
Theo Murphy – UK	58,459	1,431	(161)	(1,492)	10,758	68,995
Other Permanent Endowments	9,604	231	(16)	(170)	1,728	11,377
Theo Murphy – Australia	2,302	–	–	–	911	3,213
General Trust Fund	24,092	933	(648)	92	4,417	28,886
Other Expendable Endowments	8,182	184	(21)	(326)	1,386	9,405
Enterprise Fund	7,774	10	(362)	–	2,349	9,771
Other Restricted Funds	15,715	65,185	(65,707)	2,110	2,084	19,387
BEIS Science and Research	–	992	(992)	–	–	–
Revaluation Reserve	47,856	–	–	–	–	47,856
Defined Benefit Pension Reserve	(8,613)	–	142	–	(1,602)	(10,073)
General Purpose	31,242	12,553	(16,159)	(1)	5,734	33,369
<b>Total</b>	<b>257,661</b>	<b>83,927</b>	<b>(87,273)</b>	<b>–</b>	<b>38,951</b>	<b>293,266</b>

## Reference and administrative details

### President

Sir Venki Ramakrishnan

### Treasurer

Professor Andrew Hopper\*\*  
Professor Anthony Cheetham\*

### Physical Secretary

Professor Alexander Halliday\*\*\*

### Foreign Secretary

Professor Richard Catlow

### Biological Secretary

Sir John Skehel

### Members of Council

Professor Gillian Bates  
Professor Jean Beggs  
Dr Mariann Bienz\*\*  
Sir Leszek Borysiewicz\*\*  
Sir Keith Burnett  
Professor Eleanor Campbell  
Professor George Efsthathiou  
Professor Brian Foster (Vice-President from 1 April 2018)  
Professor Russell Foster  
Dame Sue Ion\*\*  
Professor Uta Frith\*  
Professor Joanna Haigh\*  
Dr Hermann Hauser\*  
Dame Bridget Ogilvie  
Dame Carol Robinson  
Professor Karen Steel\*\*  
Professor Stephen Sparks\*  
Professor Ian Stewart\*  
Dame Janet Thornton\*  
Professor Cheryl Tickle  
Professor Ulrike Tillmann\*\*  
(Vice-President from 1 April 2018)  
Sir Richard Treisman  
Professor Simon White  
Professor Julia Yeomans\*\*

\* Retired 30 November 2017

\*\* appointed 30 November 2017

\*\*\*Retired 31 March 2018

### Executive Director

Dr Julie Maxton

### Key Management Personnel

Jennifer Cormack, Director of Development  
Dr Claire Craig, Director of Science Policy  
Mary Daly, Chief Financial Officer  
Bill Hartnett, Director of Communications  
Dr Paul McDonald, Director of Grants Programmes  
Lesley Miles, Chief Strategy Officer  
Dr Stuart Taylor, Director of Publishing  
Dr David Walker, Executive Assistant to the Executive  
Director and Governance Officer  
Rapela Zaman, Director of International Affairs

### Statutory Auditor

BDO LLP  
2 City Place  
Beehive Ring Road  
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### Internal Auditors

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### Registered Charity Number 207043

### Registered address

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royalsociety.org



The Royal Society is a self-governing Fellowship of many of the world's most distinguished scientists drawn from all areas of science, engineering, and medicine. The Society's fundamental purpose, as it has been since its foundation in 1660, is to recognise, promote, and support excellence in science and to encourage the development and use of science for the benefit of humanity.

The Society's strategic priorities emphasise its commitment to the highest quality science, to curiosity-driven research, and to the development and use of science for the benefit of society.

These priorities are:

- Promoting excellence in science
- Supporting international scientific collaboration
- Demonstrating the importance of science to everyone.

#### **For further information**

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