



THE ROYAL SOCIETY

CELEBRATING 350 YEARS



**Invest** in future scientific leaders and in innovation **Influence** policymaking with the best scientific advice **Invigorate** science and mathematics education **Increase** access to the best science internationally

**Inspire** an interest in the joy, wonder and excitement of scientific discovery

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## TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2008



# TRUSTEES' REPORT AND FINANCIAL STATEMENTS

➤ For the year ended 31 March 2008

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# TRUSTEES' REPORT

➤ For the year ended 31 March 2008

Registered Charity No 207043

## Trustees

The Trustees of the Society are the Members of its Council duly elected by its Fellows. Ten of the 21 members of Council retire each year in line with its Royal Charter.

## President

Lord Rees of Ludlow OM Kt

## Treasurer and Vice-President

Sir David Wallace CBE <sup>a</sup>  
Sir Peter Williams CBE <sup>b</sup>

## Physical Secretary and Vice-President

Professor Martin Taylor

## Vice-President

Lord Krebs of Wytham

## Biological Secretary and Vice-President

Sir David Read

## Foreign Secretary and Vice-President

Professor Lorna Casselton

## Other Members of Council

Professor Frances Ashcroft <sup>b</sup>  
Professor David Baulcombe <sup>b</sup>  
Sir Michael Brady  
Dame Kay Davies DBE <sup>b</sup>  
Professor Caroline Dean OBE <sup>a</sup>  
Professor Dianne Edwards CBE <sup>a</sup>  
Professor Jeffery Errington <sup>b</sup>  
Professor Roderick Flower  
Professor Uta Frith <sup>a</sup>  
Professor Lynn Gladden OBE  
Sir David King <sup>b</sup>  
Sir Peter Knight <sup>a</sup>  
Professor Philip Kocienski <sup>a</sup>

Professor David Lilley <sup>a</sup>  
Sir Tom McKillop <sup>a</sup>  
Dr Tim Palmer <sup>b</sup>  
Professor Peter Ratcliffe <sup>a</sup>  
Professor John Shepherd <sup>a</sup>  
Professor Adrian Smith  
Dr Andrew Smith  
Professor James Stirling  
Sir John Sulston <sup>b</sup>  
Professor Andrew Thomson OBE <sup>b</sup>  
Dame Jean Thomas DBE <sup>b</sup>

## Changes

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

a Member until 30 November 2007

b Member since 30 November 2007

## Executive Secretary

Mr Stephen Cox CVO

## Registered Address

6–9 Carlton House Terrace  
London  
SW1Y 5AG

royalsociety.org

# TRUSTEES' REPORT

➤ For the year ended 31 March 2008

## **Auditors**

PKF (UK) LLP  
Chartered Accountants and Registered Auditors  
Farringdon Place  
20 Farringdon Road  
London  
EC1M 3AP

## **Solicitors**

Darbys  
52 New Hall Street  
Oxford  
OX1 2QD

## **Bankers**

Barclays Bank plc  
Level 28  
1 Churchill Place  
London  
E14 5HP

## **Investment Managers**

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

UBS AG  
1 Curzon Street  
London  
W1J 5UB

## **Internal Auditors**

Deloitte & Touche LLP  
Hill House  
1 Little New Street  
London  
EC4A 3TR

# TRUSTEES' REPORT

➤ For the year ended 31 March 2008

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

## ➤ STRUCTURE, GOVERNANCE AND MANAGEMENT

### **Organisation**

The Royal Society is governed by a Council of 21 Fellows, who are also its trustees for charity purposes, including five honorary officers: President, Treasurer, two Secretaries (one drawn from the physical sciences and mathematics, and the other from the life sciences) and a Foreign Secretary. Additional Vice-Presidents may be appointed from among the Council membership to serve for their period of membership. Members of Council serve for various terms of between one and five years. The Royal Charter requires that 10 of the 21 members of Council retire each year.

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

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

Nominees are confirmed by ballot of the Fellowship. All members of Council are elected from the Fellowship.

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

Council is advised by a wide range of committees, the membership of which and their subcommittees is not always confined to Fellows. The Board, comprising the President, honorary officers and the Executive Secretary, makes recommendations to Council on policy management. The Board oversees the financial and other operational systems and methods of control, including risk analysis and management; ensuring the Society complies with all financial aspects of the law, relevant regulations and good practice. The Audit Committee reports direct to Council, reviews the audited financial statements and recommends their approval to Council, enquires into the Treasurer's stewardship of Society assets, reviews reports from the external and internal auditors, monitors management response thereto and implementation of agreed recommendations. Other Committees advise Council on, amongst other things, the election of new Fellows, publishing and the administration of activity programmes including the award of grants etc. The Investment Advisory Committee, comprising Fellows and experienced investment professionals, advises the Treasurer on the performance of the investment managers and recommends objectives and benchmarks forming the basis of the Society's investment policy.

### **Fellowship**

The Royal Society is a Fellowship of outstanding scientists drawn from all areas of science, engineering and medicine. Since its foundation it has embodied and promoted knowledge of the natural world through observation and experiment. Through this approach – new in 1660 – which we now call science, Fellows of the Society have sought over the centuries to obtain a better understanding of ourselves and the world in which we live, and to make that knowledge widely available to benefit society. The Society's mission is best described as being to expand the frontiers of knowledge by championing the development and use of science, engineering and medicine for the benefit of humanity and the good of the planet. Fellows of the Society are elected for life and designate themselves through the use of the letters FRS after their names. Forty-four new Fellows and eight Foreign Members are elected annually through a peer review process that culminates in a vote by existing Fellows. The main criterion for election is scientific excellence.

The election process for Fellows and Foreign Members is extremely rigorous and is based upon the established practice of peer review. Although the identities of the candidates for election remain confidential, the identities of all members of committees involved in the election process, together with the full regulations governing the process, are published annually in the *Year Book of the Royal Society*, copies of which are available for purchase.

Fellows are called upon to perform a wide range of tasks for, and on behalf of, the Society. Many Fellows invest significant time and effort, voluntarily, to carry out these tasks in support of the cause of science and the Society.

### **Volunteers**

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

### **Risk assessment**

The major risks to which the Society is exposed, as identified by Council, have been reviewed and systems have been established to mitigate those risks. The active review of risk analysis and management is delegated, in the first instance, to the Board which reports directly to Council. The Audit Committee also actively reviews on a regular basis the major operational and business risks, both financial and non-financial, to which the Society is exposed and believes that systems have been established, which are subject to review through an internal audit process, to mitigate those risks.

Council has agreed clear lines of delegation and authority to staff and has involved staff in recognition of risk in all its activities. Council recognises the need to maintain the Society's independence and has approved an income strategy, connected to the Society's 350th anniversary in 2010, to increase its endowment to address the potential risk to its independence and to ensure the Society's financial stability well into the 21st century.

### **Connected charities**

Council regards The Wolfson Research Professorship of the Royal Society to be a Connected Charity of the Royal Society. The charity's objectives and activities are common to or in parallel with, those of the Society and it is administered by the Society. The principal contact address for the charity is that of the Society. The Wolfson Research Professorship of the Royal Society supports the Society's Professorship of that name.

### **Management and staffing**

The Executive Secretary is responsible for the day-to-day management of the Society and its activities, supported by three Directors responsible for Public Affairs, Science Policy and Finance & Operations, and the senior management team. The Executive Secretary leads a permanent staff of 131. The Executive Secretary is also the Accounting Officer for the Parliamentary Grant-in-Aid and is tasked with ensuring that Council applies the grant on agreed projects and programmes.

The Business Plan and Budget, approved annually by Council, is implemented by seven activity sections, and six resource and support sections. The 2010 Anniversary Programme is managed by an additional temporary section and in February 2008 a Chief Executive Officer took up post to manage the Enterprise Fund.

### **Council's responsibilities**

Charity law requires the Council, as Trustees, to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Society and of the surplus or deficits of its funds for that period. The Treasurer, on behalf of Council, is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Society and enable and ensure that the financial statements are prepared in accordance with the Statement of Recommended Practice – Accounting and Reporting by Charities (revised 2005) (SORP 2005) and in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and any other relevant accounting standards. He is also responsible for safeguarding the assets of the Society and hence for taking all reasonable steps for the prevention and detection of fraud and other irregularities. In preparing the financial statements the Treasurer, on behalf of Council, has selected suitable accounting policies and applied them consistently; made judgements and estimates that are reasonable and prudent; followed applicable accounting standards and applied the going concern basis.

➤ For the year ended 31 March 2008

## ➤ OBJECTIVES AND ACTIVITIES

### *Summary of aims and objectives*

The Charter incorporates the Society in the name of The President, Council and Fellows whose studies are to be applied to further promoting by the authority of experiments the sciences of natural things and of useful arts, to the glory of God the Creator, and the advantage of the human race. The present day Society has three major roles as a learned society embracing the entire scientific landscape by supporting excellent individuals, organising meetings and producing publications; as the United Kingdom's (UK) Academy of Science providing independent scientific advice and representing UK science on the international stage; and as a funding agency providing support for scientists, engineers and technologists to pursue their work.

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

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

These form the basis of our work for the period 2006-2011, provide the focus for our fund raising activity, guide our submissions to government in the spending reviews and help determine our plans for our 350th Anniversary in 2010.

### *Plans for 2008/09 and beyond*

The Society's ambitious new strategy, defined by these five high level priorities, aims to expand the frontiers of knowledge by championing the development and use of science, engineering and medicine for the benefit of humanity and the good of the planet in a rapidly changing world. To support

our activities, the Society aims to raise £100 million by 2010 to support current and future scientific programmes and expand the endowment base. In particular it has established the Royal Society Enterprise Fund to stimulate entrepreneurship and innovation and to expand our research fellowships to support exchanges between industry and academia.

The Society will increase its ability to provide independent policy advice in a timely manner and with clarity. It will build on its strong reputation by focusing on the impact and promotion of its policy work. This follows the appointment last year of the Science Policy Promotion Officer, the first time the Society has dedicated a position solely to this area.

The criteria for a new Royal Society Education Research Fellowship programme were discussed with key UK-based Science, Technology, Engineering and Mathematics (STEM) education research stakeholders at a joint seminar held with the Economic and Social Research Council in October. The fellowships will increase the impact of research on the STEM education policy agenda. Informal discussions with potential funders continued and it is hoped that a number of new fellowships will become available from 2009 onwards.

Work progressed on the Royal Society's Centre for the History of Science. The Wolfson Foundation has provisionally agreed substantial funding to improve the physical environment of the present Library, to make the Centre possible. However, this will need to be matched during the coming year. Meanwhile, donations of material and their cataloguing, grant allocation, publishing and events organisation have shown substantial successes.

## ➤ ACHIEVEMENTS AND PERFORMANCE DURING THE YEAR

Major achievements and performance against the strategic priorities during the year were as follows:

### *Invest in future scientific leaders and in innovation*

The Society supports excellent postdoctoral scientists in developing their careers by selecting, funding and administering a number of professorial and fellowship award schemes. The largest of these, the University Research Fellowship scheme, provides outstanding postdoctoral scientists with the opportunity to build an independent research career. Also significant are Dorothy Hodgkin Fellowships, offering recently-awarded PhD scientists a recognised first step into their careers with flexible arrangements for part-time working, career breaks and mentoring support. During the year the Society appointed 32 new University Research Fellows, maintaining their overall number at 313, and ten Dorothy Hodgkin Fellows, to make 51 in all.



We support the Wolfson Foundation through two schemes – the Wolfson Laboratory Refurbishment scheme, and the Royal Society Wolfson Research Merit Awards. This year, eight grants were awarded for essential laboratory refurbishments. The Royal Society Wolfson Research Merit Awards supported by the Office of Science and Innovation aim to attract and retain within the UK scientific researchers of outstanding achievement and potential. Forty-eight Awards were made in the year taking the number supported to 147.

The Research Grants scheme saw high demand with 197 grants made to support new avenues of research. 15 appointments were made to the Industry Fellowship scheme supporting collaboration between industry and universities, bringing the number supported to 35.

In 2007 additional funding from the Department for Innovation, Universities and Skills (DIUS) enabled the Society to award two Brian Mercer Awards for Innovation. These Awards provide funding for an area of research to be developed to a stage where it becomes technologically viable and has practical applications. Additional funding from DIUS and The ERA Foundation also enabled the Society to award seven Brian Mercer Feasibility Awards. These awards enable holders to investigate the technical and economical feasibility of the commercialisation of their scientific research.

Royal Society Publishing continued to perform well: publishing high quality science; providing a first class service to our authors; and delivering a financial surplus to the Society. Our performance in the 2006 Impact Factors (published in 2007) was strong and our two newest journals did particularly well; *Biology Letters* received its very first Impact Factor at a very satisfactory 2.00 and *Interface* jumped to almost 3.00 after only two years.

Online usage of the Society's journals grew dramatically with almost 4 million article downloads in 2007. Usage has grown impressively now that our B-side journals are included in the major US repository PubMedCentral as well as JSTOR (the archival library supplier).

Article submissions continued to rise. So much so that our newest journal, *Interface*, increased its frequency from bi-monthly to monthly.

We continued to drive down our publication times as this is a key factor for authors choosing where to publish. Average time from submission to online publication has fallen from over 300 days in 2001 to just 80 days in 2007-2008.

### ***Influence policymaking with the best scientific advice***

Throughout the year the Society has produced over 30 reports, statements and consultation responses. The Society has been fully engaged in a number of areas including the debate around climate change. The Society produced *Climate Change Controversies: a simple guide*, which aims to help non-experts better understand some of the debates in this complex area of science.

The Society published the report *Sustainable biofuels: prospects and challenges*, providing a balanced overview for delivering efficient biofuels for transport, whilst considering environmental impact and sustainability. We also held an international meeting, *Biodiversity-climate interactions: adaptation, mitigation and human livelihoods* in partnership with the Joint Nature Conservation Committee, the Met Office, the Royal Botanical Gardens Kew, Natural Environment Research Council, Department for International Development, and Department for Environment, Food & Rural Affairs. The findings of the meeting were presented at a side-event at the United Nations Frameworks Convention on Climate Change conference in Bali.

We held other policy workshops to address topics including *Detecting nuclear and radiological materials* and *Innovative mechanism for tackling antibacterial resistance*. Workshops were also run in collaboration with other organisations on *Pandemic influenza* and *Carbon dioxide, capture and storage*.

We responded to a number of consultations, including the Higher Education Funding Council for England (HEFCE) consultation on the future of the Research Excellence Framework, the Department for Environment, Food & Rural Affairs (DEFRA) consultation on the draft Climate Change Bill and the British National Space Centre (BNSC) consultation on the UK's Civil Space Strategy.

Reports were published by the Society on other issues such as *Strategy options of the UK's separated plutonium* and *A higher degree of concern*, the follow-up report to the 2006 report, *A degree of concern?*

The Society addressed the issues surrounding stem cells, in particular working with Wellcome Trust, Medical Research Council, Academy of Medical Scientists and others to produce briefings for Members of Parliament as the Human Fertilisation and Embryo Bill passes through Parliament.

Working with the National Academies of the G8 countries plus India, China, Brazil, Mexico and South Africa, we produced statements on the promotion and protection of innovation and sustainability, energy efficiency and climate protection. The statements were produced to inform world leaders, meeting at the 2007 G8 summit in Heiligendamm.

### ***Invigorate science and mathematics education***

In December 2007 we published the first in a series of *state of the nation* reports assessing the health of UK science and mathematics education. This comprehensive survey details what is known, statistically, about the numbers of, supply of and demand for science and mathematics teachers across the UK.

The Advisory Committee on Mathematics Education (ACME), operating under the auspices of the Royal Society, has maintained its profile as the leading advisory body on maths education. *The Mathematical Needs of 14-19 Pathways* was the theme of ACME's annual conference and an accompanying report was produced in June 2007. ACME produced two position statements, one on Functional Mathematics and one on Level 3 Maths Diplomas. ACME also held a major national conference and provided ongoing advice to the Department for Children, School and Families (DCSF) and its agencies.

As a member of the Science Community Representing Education (SCORE) partnership, the Royal Society continued to play a key role in supporting the Government's STEM programme. SCORE led on work to co-ordinate and increase access to activities which enrich and enhance the science curriculum, as well as developing a strategy to strengthen practical work in science education. Following a Government announcement in October 2007 regarding the development of a 14-19 science diploma, SCORE commissioned research into the views and expectations of employers and universities and in order to make the most appropriate contribution to the development of this new qualification over the coming years.

In this year the Royal Society Partnership Grants scheme awarded 49 grants totaling £95,886 to 26 Primary schools and 23 Secondary schools or sixth form colleges, enabling them to work with a scientist or engineer on creative scientific investigations.

### ***Increase access to the best science internationally***

During the year 1008 conference grants were made, enabling UK research scientists to participate in overseas conferences. The short visit scheme brought 160 overseas scientists to the UK and supported travel by 130 UK scientists overseas. 116 longer-term interactions were funded by the International Joint Project Grants scheme. Incoming International Fellowships allowed 32 overseas scientists to spend between six months and a year in the UK, with priority being given to scientists from China and India. A further 118 scientists were supported under the International Networking Grants scheme, established to help UK scientists develop enduring partnerships and international collaboration with overseas counterparts, and two Capacity Building Projects.

The Society continued to work closely with European partners, playing a leading role in the European Academies Science Advisory Council (EASAC). During the year, EASAC released a report on *Tackling Antibacterial Resistance in Europe*, as well as statements on migration and infectious diseases, the use of non-human primates in research, and the use of EU structural funds in science and technology. The Society organised two successful *Frontiers of Science* meetings bringing together the best young scientists from the UK and Hong Kong and India, respectively. Our membership in European FP6 projects Co-ordination of Research between Europe and China (CO-REACH) and Action to Observe and Understand Different Approaches in Euro-Indian research programs (AOUDA) continues, which seek to coordinate European approaches to research with China and India.

Elsewhere, we organised workshops on next-generation biofuels (with India, Brazil and South Africa), infectious disease (with South Africa), and organic electronics (with Brazil). Our specific engagement with Africa continues, with assistance and advice to the Network of African Science Academies (NASAC), facilitating their production of policy statements aimed at African and world leaders, as well as the further implementation of their development plan. We also facilitated initiatives to enable African partners to engage better with their parliaments in Uganda and Kenya. We participated for the first time with a Royal Society delegation and reception at the annual American Association for the Advancement of Science (AAAS) meeting in Boston, jointly with the British Embassy, highlighting UK science and the work of the Royal Society to the US scientific community. Globally, we continued to engage with the InterAcademy Council (IAC), InterAcademy Panel (IAP) and International Council for Science (ICSU), and participated in the production and release to the G8 summit in Heiligendamm of two statements, on climate change and innovation.

## ***Inspire an interest in the joy, wonder and excitement of scientific discovery***

The Royal Society Summer Science Exhibition had record numbers of visitors over the three and a half days that it was open with 5,000 visitors, about a third of whom were students aged 16 and over. In addition to these over 10,000 viewers explored the interactive Summer Science Exhibition website. The exhibition comprised 23 competitively selected exhibits showcasing some of the best UK science. In addition to these were two exhibits from the Royal Society archives, *Neutron star! Chadwick and 75 years of the neutron* and *Polar science*, as well as *Bye-bye blackboard...* a selection of the blackboards from the exhibition at the Museum of the History of Science, University of Oxford.

The Society saw a 12% rise in student visitors to the Summer Science Exhibition. After attending, 77% of them were more interested in science, and 61% were more likely to consider a career in science. Importantly, 69% said they felt they now knew more about a subject they were currently studying or interested in, which was matched by 67% of teachers feeling that the exhibition updated their own knowledge of science.

1650 participants attended ten two-day scientific discussion meetings held on a variety of topical science subjects including *Networks: modelling and control*, *The neurobiology of violence: implications for prevention and treatment*, *Photosynthetic and atmospheric evolution* and *From computers to ubiquitous computing by 2020*.

The Society's Communication Skills and Media Training courses trained 77 post-doctoral scientists (many of whom are Royal Society funded researchers) through ten courses. The courses equipped participants to interact and engage non-specialist audiences and participants reported increased confidence in communicating science to the general public.

The Society's premier medal, the Copley medal was awarded to Lord May OM FRS for his seminal studies of interactions within and among biological populations that have reshaped our understanding of how species, communities and entire ecosystems respond to natural or human created disturbance. Sir Aaron Klug FRS and Professor Robin Clark FRS gave the Croonian and Bakerian lectureships respectively. Professor Jim Al-Khalili gave the 2007 Michael Faraday Lecture in January 2008. Professor Ottoline Leyser received the 2007 Rosalind Franklin Award and Dr Carolyn Stephens was awarded the 2007 Royal Society Kohn Award for Excellence in Engaging the Public with Science.

The Royal Society Pfizer Award was given to Dr Hiba Muhammed from the University in Khartoum in Sudan for her work on Leichmaniesus. Our partners at the Académie des sciences hosted the Royal Society and Académie des sciences Microsoft Award ceremony in Paris, where Professor Georgio Parisi was presented with the award for his research into complex systems at the University of Rome.

The Royal Society's public programme of lectures and debates consisted of 16 events and highlights of the programme included the Royal Society lecture at the Cheltenham Science Festival on *New views on human origins* by Professor Chris Stringer FRS, the Royal Society and Royal Society of Literature joint event entitled *Behaving badly* with a panel of scientists and authors chaired by Professor Uta Frith FRS, Professor Ramachandran's lecture on *Nature and nurture in brain function: clues from synesthesia and phantom limbs* which filled the Royal Society's lecture theatre and Professor James Lovelock FRS's lecture *Climate change on the living Earth* which had a record number viewers for the live webcast. In addition, the Royal Society Bakerian Lecture given by Professor Robin Clark CNZM FRS was relayed live to an audience at the Royal Society of New Zealand.

The Royal Society continued to raise its profile in the media, influencing and inspiring policy makers, opinion formers and the wider public. The launch of a report on biofuels was widely reported. It placed the Society at the heart of the debate about possible technological solutions, such as biofuels and carbon capture and storage, which can play a part in tackling climate change. Other issues the Media Relations team were active in highlighting included the problems of the UK's stockpile of separated plutonium, the use of hybrid embryos in stem cell research and the shortage of specialist science and maths teachers. The Society's journals continue to be widely reported by the press. The Summer Science Exhibition and the Royal Society Prizes for Science Books also enjoyed a high profile, bringing science to a wider audience.

The website was the principal medium through which the Society communicated with its global audiences attracting nearly 1.5 million visitors over the last 12 months. The most notable change to the website was the rebranding from [royalsoc.ac.uk](http://royalsoc.ac.uk) to [royalsociety.org](http://royalsociety.org) to reflect our wider reach. To coincide with the launch of our 350th Anniversary Campaign to raise £100 million by 2010, we launched a new website [royalsociety.org/campaign](http://royalsociety.org/campaign) in June to raise awareness of the campaign, and to allow us to accept online donations. Webcasting of lectures, award ceremonies and other events was once again a prominent feature of the service with the archive of webcast events growing to over 200.

Donations of papers to the Society's archives included the following major 20th century collections: papers of Robert Hanbury Brown FRS (1916-2002) physicist and astronomer: some scientific notebooks of Brebis Bleaney FRS (1915-2002) physicist: additional papers of Sir Cyril Norman Hinshelwood FRS (1897-1967): and perhaps most importantly, collected papers of Sir John Vane FRS (1927-2004) pharmacologist and Nobel-prizewinner.

Earlier materials accepted have included various individual autographs, for example an 1830 letter by Karl Ludwig Rumker to Davies Gilbert, then President of the Society. In September 2007 an important collection of letters to the chemist Charles Hatchett FRS (1765-1837) was donated, the most significant historical donation of its kind for many years. Book donations have included a significant collection of early texts given by Dr John Lawson FRS. Of particular note is *A new light of alchymy* by Michael Sendivogius, a 1674 English translation of a book first published in Latin in 1605. Sendivogius, a Polish alchemist reputed during his lifetime to hold the secret of the philosopher's stone, was also a pioneering chemist, who found new ways to purify metals and other chemical compounds.

New cataloguing on the archive database, which now stands at over 111,000 records, has included work on the papers of the astronomer Thomas Gold FRS. In addition to recording the contents of over 4,000 individual documents, around 1,000 scanned images have been added to the database, allowing remote full-text access to a significant part of the collection. Additionally, 10,000 records of 20th century medical and physiological interest were added to the database by a Wellcome Trust-funded cataloguer.

Scholarly presentations of the Hooke Folio were launched during late summer 2007. The web version of the *Turning the Pages* exhibition commanded 9,600 hits during its first week of operation. A private donation of £10,000 was expended on capturing images of the Society's portraits in preparation for a new catalogue.

## ➤ FINANCIAL REVIEW

### **Financial statements**

The financial statements for the year ended 31 March 2008 are set out on pages 14-33. These were prepared applying the Accounting Policies set out on page 18-19.

### **Funding sources**

The Society receives its funding from a variety of sources. These include the Parliamentary Grant in Aid (PGA), donations and legacies from individuals and organisations, income from investments and endowments, other grants and contract income and income from prime purpose and ancillary trading (publishing, room letting and catering). The PGA provides for specific projects and programmes and accounts for 63% of total income. The variety of all funding sources ensures that the Society retains its independence.

### **Funds and reserves**

The Society's funds have been applied for the purpose of the advancement and promotion of science in accordance with its objectives and policies. An analysis of the expenditure is shown in the Statement of Financial Activities on pages 14 and 15. All of the Society's assets are used in the support of its charitable objectives.

The Society's reserves of £204m, of which 71% are held as investments and bank deposits, generate the income that sustains either wholly or in part the Society and many of its activities.

# TRUSTEES' REPORT

➤ For the year ended 31 March 2008

The Society's reserves are made up as follows:	£m
<i>Permanent endowments</i>	
Funds invested where there is no power to convert the capital into income.	75
<i>Restricted funds</i>	
Funds, comprising accumulated income and expendable endowments, which may only be used for the purposes specified by the original donor and or contributors as a condition of the gift. The Society depends on the income produced from these reserves to finance core and continuing activities. Expending these reserves would jeopardise the long-term continuance of these activities.	42
<b>Total Permanent endowments and Restricted funds</b>	<b>117</b>
<i>General and Unrestricted funds</i>	
The Society depends upon the income produced from General Purposes reserves to contribute towards day to day running costs. Without this source of income additional charges would need to be levied on the Restricted and Unrestricted funds, reducing funds available for charitable activities. As with Restricted funds the Society depends upon the income from Unrestricted funds and endowments to finance core and continuing activities.	
Tangible fixed assets (note 17 on page 26)	13
Heritage assets held for the Society's charitable purposes (note 19 on page 26)	47
	60
<i>Free Reserves</i>	
Funds invested to support activities (note 23 on page 28)	24
Add: Net Assets (note 23 on page 28)	3
	27
<b>Total General and Unrestricted funds</b>	<b>87</b>
<b>Total Funds and Reserves as at 31 March 2008</b>	<b>204</b>

The free reserves provide the working capital of the Society and allow it to develop new initiatives. In addition the Society has provided for a liability from General Purposes Funds to fund the Pension Plan deficit of £0.2m, which has been calculated in compliance with FRS17. In December 2007 the Society paid a further additional contribution of £750k into the Plan to reduce the deficit. The provision of a liability does not mean that an immediate liability for this amount has crystallised. Nor does disclosure of the liability mean that the equivalent amount is already committed and not available for the furtherance of the Society's objectives. The Society is confident that it can meet future contributions without significant impact on planned levels of charitable activity.

The Society continually reviews its policies for retaining reserves on a fund by fund basis with a view to ensuring that the maximum benefit is achieved for the advancement and promotion of science. The restrictions imposed on funds may require that from time to time they are unable to meet the costs of a sustainable programme. In these circumstances they may be allowed to accumulate income for a number of years until they can do so or else they may, where Council has discretion, be applied together with other funds with similar purpose.

### **Investment policies**

The Society, has been in existence since 1660 and as such takes a long-term view of investment with the aim of producing above-average total returns whilst growing the base value of investments and dividends in real terms.

The Society has split the portfolio between two firms of managers, Rathbone Investment Management Limited and UBS AG, whose approaches to asset management complement each other

# TRUSTEES' REPORT

➤ For the year ended 31 March 2008

providing, overall, a more defensive strategy against market fluctuations. The Society expects investments in the portfolio normally to comprise leading UK and international companies, Unit and Investment Trusts including those investing in major international markets, property and, because income is important but not paramount, fixed interest. Investments should be suitable for a mature fund seeking both income and capital appreciation. The emphasis in the UK portfolio is on larger well established companies paying a dividend in excess of the market, although it is expected that it will also include a proportion of medium and smaller sized companies.

Within these terms the Society's investment managers have a general discretion over asset allocation and selection. This provides the flexibility to take advantage of changing market situations and opportunities to which they are expected to respond expeditiously to maximise returns for the Society. Generally industry standard benchmarks do not match the Society's requirements.

In addition to funds invested through its investment managers the Society's hedge fund investments have continued to perform well. The Society has moved further into private equity with £4.4m invested within its own and UBS portfolios against a current commitment of £10m.

During the year all but AUD 0.9m of the legacy valued at £44.4m in 2007 was received in cash. AUD 106.4m has been consolidated into the Society's UK investment portfolio with an endowment of AUD 5m remaining in Australia. The amount receivable amounts to AUD 112.2m, which increased the value of the Society funds by £48.4m by year end. The position of the financial markets has led to the Society (under the direction of its Investment Advisory Committee) retaining a substantial cash position with £37.1m held at year end. The Society has also moved closer to its application of the Yale University Model through the purchase of quoted property stock.

The Society does not invest in the producers of tobacco or manufacturers of tobacco products.

## **Obligations**

Council considers the Society's finances to be sound and that it is able to fulfil all its obligations and commitments without delay or shortfall in the realisation of the assets of its funds.

## ➤ **AUDITORS**

A resolution to re-appoint PKF (UK) LLP, Chartered Accountants and Registered Auditors, will be proposed at the annual meeting of the Fellowship of the Society on Anniversary Day for the ensuing year.

*Signed on behalf of Council by the President*

**LORD REES OF LUDLOW**  
**3 July 2008**

# REPORT OF THE INDEPENDENT AUDITORS TO THE FELLOWSHIP OF THE ROYAL SOCIETY

**➤ For the year ended 31 March 2008**

We have audited the Financial Statements of The Royal Society for the year ended 31 March 2008 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Council of the Society, as a body, in accordance with Regulation 7 of the Charities Accounts and Report Regulations 2005. Our audit work has been undertaken so that we might state to the Council members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibilities to anyone other than the Council members (as trustees), for our audit work, for this report, or for the opinions we have formed.

## **➤ RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND AUDITORS**

The Council's responsibility for preparing the Trustees' report and the financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the statement of the Council's responsibilities.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the Trustees' report is not consistent with the financial statements, if the Society has not kept proper accounting records or if we have not received all the information and explanations we require for our audit. We read the Trustees' report and consider the implications for our report if we become aware of any apparent misstatements within it.

## **➤ BASIS OF AUDIT OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Society's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **➤ OPINION**

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Royal Society's affairs as at 31 March 2008 and of its incoming resources and application of resources in the year then ended; and
- have been properly prepared in accordance with the Charities Act 1993.

PKF (UK) LLP  
Chartered Accountants and Registered Auditors  
London  
3 July 2008

# REPORT OF THE AUDIT COMMITTEE TO COUNCIL ON THE FINANCIAL STATEMENTS

 For the year ended 31 March 2008

At a meeting of the Audit Committee held on 12 June 2008 the Committee examined the Treasurer's financial statements for the year ended 31 March 2008, set out on pages 14-33, and enquired into his stewardship of the Society's funds and resources.

The financial statements have been audited by PKF (UK) LLP Chartered Accountants and Registered Auditors. There are no matters arising there from which the Committee feels should be drawn to the attention of Council.

The Committee has received all information and explanations it has required and is satisfied that the Treasurer has properly carried out his duties under Statute 33 to prepare financial statements that give a true and fair view of the state of affairs of the Society and of the surplus or deficits of its funds for the year ended 31 March 2008. The Committee is also satisfied that the Treasurer has taken all reasonable steps for the prevention and detection of fraud and other irregularities.

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

**PROFESSOR JOHN PETHICA**  
Chairman  
12 June 2008



# STATEMENT OF FINANCIAL ACTIVITIES

➤ For the year ended 31 March 2008

	Notes	General Purposes Funds £'000	Other Unrestricted Funds £'000	Restricted Funds £'000	Permanent Endowment Funds £'000	2008 Total Funds £'000	2007 Total Funds £'000
<b>INCOMING RESOURCES</b>							
<i>Incoming resources from generated funds</i>							
Grants for charitable activities	1	2,510	563	49,695	-	<b>52,768</b>	44,433
Voluntary income	2	240	5,144	184	3,903	<b>9,471</b>	47,754
Investment income	3	925	211	2,516	-	<b>3,652</b>	2,349
Other incoming resources		-	-	-	755	<b>755</b>	-
		3,675	5,918	52,395	4,658	<b>66,646</b>	94,536
<i>Incoming resources from charitable activities</i>							
Trading in furtherance of charitable objectives	4 & 12	5,511	-	-	-	<b>5,511</b>	5,174
<b>Total incoming resources</b>		9,186	5,918	52,395	4,658	<b>72,157</b>	99,710
<b>RESOURCES EXPENDED</b>							
<i>Costs of generating funds</i>							
Costs of generating grants and voluntary income		580	-	36	-	<b>616</b>	400
Trading in furtherance of charitable activities	12	4,005	-	23	-	<b>4,028</b>	3,645
Investment management costs		54	-	128	118	<b>300</b>	156
<b>Total costs of generating funds</b>	5	4,639	-	187	118	<b>4,944</b>	4,201
<i>Charitable activities</i>							
<b>Invest</b> in future scientific leaders and in innovation		920	-	37,447	-	<b>38,367</b>	32,255
<b>Influence</b> policymaking with the best scientific advice		1,857	-	426	-	<b>2,283</b>	1,507
<b>Invigorate</b> science and mathematics education		523	-	724	-	<b>1,247</b>	1,139
<b>Increase</b> access to the best science internationally		1,523	-	7,258	-	<b>8,781</b>	7,803
<b>Inspire</b> an interest in the joy, wonder and excitement of scientific discovery		1,711	-	1,289	-	<b>3,000</b>	3,371
Other		-	162	243	-	<b>405</b>	367
<b>Total for cost of charitable activities</b>	6	6,534	162	47,387	-	<b>54,083</b>	46,442
<b>Governance costs</b>	6	688	-	-	-	<b>688</b>	659
<b>Total resources expended</b>		11,861	162	47,574	118	<b>59,715</b>	51,302

# STATEMENT OF FINANCIAL ACTIVITIES

➤ For the year ended 31 March 2008

Continued from page 14

	Notes	General Purposes Funds £'000	Other Unrestricted Funds £'000	Restricted Funds £'000	Permanent Endowment Funds £'000	2008 Total Funds £'000	2007 Total Funds £'000
Net incoming/(outgoing) resources before transfers		(2,675)	5,756	4,821	4,540	<b>12,442</b>	48,408
Gross transfers between funds	14	1,388	(278)	(1,110)	-	-	-
<i>Net incoming/(outgoing) resources before other recognised gains and losses</i>		(1,287)	5,478	3,711	4,540	<b>12,442</b>	48,408
Net (losses)/gains on investments	20	(1,186)	(362)	(1,428)	(2,170)	<b>(5,146)</b>	6,580
Actuarial gains on defined benefits pension scheme	26	2,412	-	-	-	<b>2,412</b>	362
<b>Net movement in funds</b>		(61)	5,116	2,283	2,370	<b>9,708</b>	55,350
<i>Reconciliation of funds</i>							
Total funds brought forward 1 April 2007		74,171	7,767	39,421	73,093	<b>194,452</b>	139,102
<b>Total funds carried forward 31 March 2008</b>		74,110	12,883	41,704	75,463	<b>204,160</b>	194,452

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

# BALANCE SHEET

➤ 31 March 2008

	Notes	2008 £'000	2007 £'000
<b>Fixed Assets</b>			
Tangible assets	17	12,642	12,892
Heritage assets	19	47,021	47,021
Investments	20	142,396	94,887
		<b>202,059</b>	154,800
<b>Current Assets</b>			
Stock		16	15
Debtors receivable within one year	21	9,922	49,927
Debtors receivable after one year	21	1,651	1,204
Cash at bank and in hand		3,458	3,017
		<b>15,047</b>	54,163
<i>Creditors: amount due in one year</i>	22	<b>(12,045)</b>	(10,158)
<b>Net Current Assets</b>		<b>3,002</b>	44,005
<b>Total assets less current assets</b>		<b>205,061</b>	198,805
<i>Creditors: amount due after one year</i>	22	<b>(745)</b>	(1,181)
		<b>204,316</b>	197,624
Defined Benefits Pension Scheme: liability	26	<b>(156)</b>	(3,172)
<b>Net Assets</b>		<b>204,160</b>	194,452
<b>Capital Funds</b>			
Permanent Endowment Funds	24	75,463	73,093
Restricted Funds	24	41,704	39,421
Unrestricted Income Funds	15	86,993	81,938
		<b>204,160</b>	194,452

The financial statements were approved and authorised for issue by Council and signed on its behalf on 3 July 2008

SIR PETER WILLIAMS CBE  
Treasurer

# CASH FLOW STATEMENT

➤ For the year ended 31 March 2008

	Notes	2008 £'000	2007 £'000
<i>Reconciliation of net incoming resources to net cash inflow from activities</i>			
Net incoming resources before revaluation		12,442	48,409
Depreciation charges		850	841
Decrease / (increase) in stocks		(1)	7
Decrease / (increase) in debtors		39,558	(41,609)
Increase / (decrease) in creditors		1,451	(1,430)
(Decrease) / increase in pension fund liability		(604)	(826)
		<b>53,696</b>	5,392

## CASH FLOW STATEMENT

		2008 £'000	2007 £'000
Net cash outflow from activities		53,696	5,392
Capital outflow	1	(53,255)	(3,311)
<b>Increase (decrease) in cash</b>	2	<b>441</b>	2,081

## NOTES TO THE CASH FLOW STATEMENT

### 1. Capital (outflow) / inflow

	2008 £'000	2007 £'000
Purchase of tangible fixed assets	(600)	(244)
Purchase of heritage assets	-	(936)
Net purchase of investments	(52,655)	(2,131)
<b>Net Capital (outflow) / inflow</b>	<b>(53,255)</b>	<b>(3,311)</b>

*Proceeds from the sale of investments and purchase of investments are stated net of amounts reinvested.*

### 2. Increase (decrease) in cash

	2008 £'000	2007 £'000
<b>Cash at bank and in hand</b>		
Balance 31 March	3,458	3,017
Change in year	441	2,081

# ACCOUNTING POLICIES

➤ For the year ended 31 March 2008

## **Accounting convention**

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

## **Administration charges**

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

## **Charitable expenditure**

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

## **Donations, gifts and other income**

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

## **Fellows' Contributions**

From the financial year ending on 31 March 2008, Fellows' Annual Contributions are recognised in the year in which they become due. Previously they were recognised on a receipts basis.

Fellows' Annual Contributions may be compounded into a single payment. From the financial year ending on 31 March 2008, contributions compounded are recognised in the year of receipt. Previously they were recognised as income of an Unrestricted Fund, and released annually over 20 years. The balance of prior year compounded contributions was released in year.

There is no material effect on the accounts from these changes in accounting policy and therefore no prior year adjustment was considered necessary.

## **Foreign currency**

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

## **Grants payable**

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

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

## **Grants receivable**

Subject to the following, grants are credited as income in the year in which they are receivable. Grants are not recognised as receivable until all conditions for receipt have been complied with. Where donor-imposed restrictions apply to the timing of the related expenditure as a precondition for its use, the grant is treated as deferred income until those restrictions are met. Grants received for specific purposes are accounted for as Restricted Funds.

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

## **Heritage assets**

The Society's heritage assets, which are those held as objects of the charity and comprise its library, artefacts, portraits, busts and scientific collections, are included on the Balance Sheet at a fair market/replacement value in 2003 and 2004 as stated in note 19 (page 26). The cost of obtaining an annual value outweighs the value of any resultant benefit. The Society holds and retains these assets as a long-term policy for use in its charitable purposes and has no intention of disposing of any of these items. Taking account of likely realisable values over their useful lives, depreciation on these assets is not likely to be material and none has therefore been provided.

# ACCOUNTING POLICIES

➤ For the year ended 31 March 2008

## **Legacies**

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

## **Investments**

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

Net investment gains/losses for the year are credited/charged in the Statement of Financial Activities.

## **Resource allocation**

Expenditure on staff, establishment and operating costs are allocated to charitable activities and support costs pro-rata to the actual staff costs of each activity. This is a change in accounting policy in year as last year these costs were allocated as follows:

Staff	– actual costs.
Establishment	– pro-rata to the office floor space occupied by each activity.
Operating costs	– pro-rata to the number of staff engaged on each activity.

It is considered that this new method of allocation gives a truer view of the resources used carrying out each activity, and on this basis that this does not differ materially from the method used last year, the prior year has not been restated.

## **Support costs**

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

## **Pension costs**

The Society operates a Pension Scheme providing defined benefits for its employees. The assets of the scheme are held separately from those of the Society, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities on an

actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained triennially and updated under FRS17 rules at each balance sheet date. Any surplus or deficit is shown in the balance sheet as an asset or liability.

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

## **Stocks**

Stocks are valued at the lower of cost and net realisable value.

## **Subsidiary undertaking**

The Society does not consolidate its interest in its subsidiary undertakings as changes to the financial statements that would result from consolidation would not be material.

## **Transfers**

Council, in accordance with its powers and within the restrictions imposed by such, has approved the transfer of the annual income of certain funds and to the extent that such income is not otherwise committed has designated the annual income of further funds as available, if needed, for the general use of the Society.

## **Tangible fixed assets**

Expenditure on tangible fixed assets is capitalised if the cost of the asset exceeds £2,500, or in the case of computer hardware or software £5,000. The cost of other items is written off as incurred.

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

Leasehold improvements	– 20-30 years
Computers and other equipment	– 3-20 years

Capitalised assets in the course of development will be depreciated as for other assets in their class once fully constructed. At the year end, no depreciation charge had been made for these assets.

# NOTES TO THE FINANCIAL STATEMENTS

➤ For the year ended 31 March 2008

## 1. Grants for activities

	General Purposes Funds £'000	Other Unrestricted Funds £'000	Restricted Funds £'000	Permanent Endowment Funds £'000	2008 Total Funds £'000	2007 Total Funds £'000
<i>From Government and other public bodies</i>						
Administration of the Parliamentary Grant	1,944	-	-	-	1,944	1,923
Rent and External Maintenance	490	-	-	-	490	490
Contribution to charitable activities	-	-	42,501	-	42,501	35,113
<i>From other external bodies</i>						
Administration	76	-	-	-	76	35
Contribution to charitable activities	-	563	7,194	-	7,757	6,872
<b>Total</b>	2,510	563	49,695	-	52,768	44,433

Details of the income and movement of individual funds are not disclosed as the information is not material to an understanding of these Financial Statements either as a whole or in relation to the context of the foregoing of which the income forms a part.

## 2. Voluntary income

	General Purposes Funds £'000	Other Unrestricted Funds £'000	Restricted Funds £'000	Permanent Endowment Funds £'000	2008 Total Funds £'000	2007 Total Funds £'000
Gifts, Donations and Legacies	15	5,144	184	3,903	9,246	47,583
Fellows Contributions	225	-	-	-	225	171
<b>Total</b>	240	5,144	184	3,903	9,471	47,754

## 3. Investment income

	General Purposes Funds £'000	Other Unrestricted Funds £'000	Restricted Funds £'000	Permanent Endowment Funds £'000	2008 Total Funds £'000	2007 Total Funds £'000
Dividends and short-term deposit interest	784	211	2,516	-	3,511	2,240
Bank deposit interest	74	-	-	-	74	156
Other gains/(losses) and loan interest	67	-	-	-	67	(47)
<b>Total</b>	925	211	2,516	-	3,652	2,349

Details of the income and movement of individual funds are not disclosed as the information is not material to an understanding of these Financial Statements either as a whole or in relation to the context of the foregoing of which the income forms a part.

# NOTES TO THE FINANCIAL STATEMENTS

➤ For the year ended 31 March 2008

## 4. Income from trading in furtherance of charitable activities

	General Purposes Funds £'000 (note 12)	Other Unrestricted Funds £'000	Restricted Funds £'000	Permanent Endowment Funds £'000	2008 Total Funds £'000	2007 Total Funds £'000
Publishing	2,916	-	-	-	2,916	2,717
Lettings in furtherance of objectives	2,548	-	-	-	2,548	2,417
Other	47	-	-	-	47	40
<b>Total</b>	5,511	-	-	-	5,511	5,174

## 5. Analysis of costs of generating funds

	Staff and Operating Costs £'000 (Note 8)	Grants & Direct Costs £'000	2008 Total £'000	2007 Total £'000
Costs of generating grants and voluntary income	418	198	616	400
Trading in furtherance of charitable activities	1,451	2,577	4,028	3,645
Investment management costs	-	300	300	156
<b>Total</b>	1,869	3,075	4,944	4,201

The investment management fees have increased in year due to the additional costs of managing Australian investments related to the Theo Murphy legacy, and a period of prepaid investment fees coming to an end.

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

	Staff and Operating Costs £'000 (Note 8)	Support Costs £'000 (Note 7)	Grants & Direct Costs £'000	2008 Total £'000	2007 Total £'000
<i>Charitable activities</i>					
<b>Invest</b> in scientific excellence to create tomorrow's leaders of science	489	428	37,450	38,367	32,255
<b>Influence</b> policymaking with the best scientific advice	988	866	429	2,283	1,507
<b>Invigorate</b> science and mathematics education	285	249	713	1,247	1,139
<b>Increase</b> access to the best science internationally	807	707	7,267	8,781	7,803
<b>Inspire</b> an interest in the joy, wonder and excitement of scientific discovery	768	673	1,559	3,000	3,371
Other	-	-	405	405	367
<b>Total for costs of charitable activities</b>	3,337	2,923	47,823	54,083	46,442
<b>Total for costs of Governance (Note 11)</b>	185	-	503	688	659



# NOTES TO THE FINANCIAL STATEMENTS

➤ For the year ended 31 March 2008

## 7. Support costs

	Staff and Operating Costs £'000 (Note 8)	Other Direct Costs £'000	2008 Total £'000	2007 Total £'000
Press and public relations	468	127	595	420
Finance, information technology and Human Resources	1,022	-	1,022	777
House and office services	441	-	441	441
Corporate Management	865	-	865	662
<b>Total</b>	<b>2,796</b>	<b>127</b>	<b>2,923</b>	<b>2,300</b>

## 8. Staff and operating costs

	Staff Costs £'000 (Note 9)	Operating Costs £'000 (Note 10)	2008 Total £'000	2007 Total £'000
Cost of generating funds	1,247	622	1,869	1,999
Charitable activities	2,165	1,172	3,337	3,294
Support costs	1,814	982	2,796	2,221
Governance	120	65	185	185
<b>Total</b>	<b>5,346</b>	<b>2,841</b>	<b>8,187</b>	<b>7,699</b>

## 9. Staff costs

	2008 Total £'000	2007 Total £'000
Salaries	4,178	3,959
Social Security costs	412	347
Death in service, Payroll and Pension Scheme administration costs	122	80
Pension costs	634	618
<b>Total</b>	<b>5,346</b>	<b>5,004</b>

### Analysis of pension costs:

	2008	2007
Current service cost (excluding death in service)	693	634
Expected return on the assets	(1,062)	(892)
Interest costs	1,003	876
<b>Total</b>	<b>634</b>	<b>618</b>

	2008	2007
<i>Number of employees earning £60,000 pa or more:</i>		
£60,001 - £70,000	3	2
£70,001 - £80,000	3	2
£90,001 - £100,000	-	-
£100,001 - £110,000	-	1
£110,001 - £120,000	1	-
£120,001 - £130,000	-	1
£140,001 - £150,000	1	-

All of the above are accruing benefits under a defined benefits Pension Scheme.

# NOTES TO THE FINANCIAL STATEMENTS

➤ For the year ended 31 March 2008

## 9. Staff costs (continued)

	2008	2007
The average number of employees, analysed by function was:		
<i>Generating Funds</i>		
Fundraising	6	5
Conference, catering and room hire	4	4
Publishing	21	23
Enterprise Fund	1	-
<i>Charitable activities</i>		
Grants UK	9	8
Science Policy	16	13
Education	7	5
Grants International	6	7
International Policy	9	6
Science communication	8	10
Library and information services	8	8
Anniversary Programmes	3	-
<i>Support &amp; Governance</i>		
Press and public relations	7	6
Finance, information technology and HR	13	13
House and office services	6	8
Corporate management	4	5
Council & fellowship	3	3
<b>Total</b>	<b>131</b>	<b>124</b>

## 10. Operating costs

	2008 Total £'000	2007 Total £'000
Temporary staff	180	62
Staff recruitment, training and welfare	576	338
Establishment costs	993	711
Maintenance	373	442
Office services	381	638
Information technology	295	246
Professional fees	43	260
<b>Total</b>	<b>2,841</b>	<b>2,695</b>

## 11. Governance direct costs comprise

	2008 Total £'000	2007 Total £'000
Fellowship costs	265	157
Council and committee expenses	102	93
Auditor's remuneration		
– Audit fee	29	24
– Non audit services	4	11
Internal audit	51	141
Legal fees	52	48
<b>Total</b>	<b>503</b>	<b>474</b>

# NOTES TO THE FINANCIAL STATEMENTS

➤ For the year ended 31 March 2008

## 12. Trading in furtherance of charitable activities

	Gross Income £'000	Expenditure £'000	2008 Net Surplus £'000	Gross Income £'000	Expenditure £'000	2007 Net Surplus/ (deficit) £'000
Publishing	2,916	2,202	714	2,717	1,925	792
Lettings in furtherance of objectives	2,548	1,826	722	2,417	1,655	762
Other	47	-	47	40	65	(25)
<b>Total</b>	<b>5,511</b>	<b>4,028</b>	<b>1,483</b>	5,174	3,645	1,529

All of the Society's trading activities are carried out within its prime charitable purposes. The Society is exempt from income tax, corporation tax or capital gains tax on income derived from trading or charitable activities.

In the financial statements for the year ended 31 March 2007 £507k of grants income, and £375k of charitable expenditure was recognised as other trading income and expenditure respectively. The comparative figures in this year's statements have been restated to reflect this adjustment.

## 13. Payments to trustees

	2008 Total £'000	2007 Total £'000
Remuneration	Nil	Nil
<i>Expenses:</i>		
Travel and subsistence	45	42

Expenses were reimbursed to 24 Trustees (2007 – 26 Trustees)

### **Indemnity Insurance**

With the consent of the Charity Commission the Society has taken out insurance to indemnify Trustees against the consequences of any neglect or defaults on their part. The cost of their insurance for the year was £3k (2007 – £2k). No claims have been made under this policy.

### **Grants and Awards**

Professor Martin Taylor is the holder of a Royal Society Wolfson Merit Award. The amount paid to Manchester University, in respect of the award, in the year was £18,300.

Professor Frances Ashcroft is the holder of a GlaxoSmithKline Research Professorship. The amount paid to Oxford University, in respect of the award, in the year was £141,999.

Professor Roderick Flower received a Royal Society Conference grant for £800 in year, paid to the University of London.

Professor David Baulcombe is the holder of a Royal Society Research Professorship. The amount paid to Cambridge University, in respect of the award, in the year was £132,746.

# NOTES TO THE FINANCIAL STATEMENTS

➤ For the year ended 31 March 2008

## 14. Gross transfers between funds

	General Purposes Funds £'000	Other Unrestricted Funds £'000	Restricted Funds £'000	Permanent Endowment Funds £'000	2008 Total Funds £'000	2007 Total Funds £'000
Fund administration charges for support of charitable activities	816	(32)	(784)	-	-	-
Annual transfers of income	26	4	(30)	-	-	-
Transfers of uncommitted income to General Purposes Funds	546	(250)	(296)	-	-	-
<b>Total</b>	<b>1,388</b>	<b>(278)</b>	<b>(1,110)</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 15. Analysis of Unrestricted Income Funds

	General Reserves £'000	Revaluation Reserve £'000	General Purposes Funds £'000	Other Unrestricted Funds £'000	2008 Total Funds £'000	2007 Total Funds £'000
At 1 April 2007	28,134	46,037	74,171	7,767	<b>81,938</b>	78,108
Net incoming/outgoing resources (page 15)	(1,287)	-	(1,287)	5,478	<b>4,191</b>	26
Increase in investment gains	(1,186)	-	(1,186)	(362)	<b>(1,548)</b>	3,442
Actuarial gains/(losses) on defined benefits pensions schemes (note 26)	2,412	-	2,412	-	<b>2,412</b>	362
<b>At 31 March 2008</b>	<b>28,073</b>	<b>46,037</b>	<b>74,110</b>	<b>12,883</b>	<b>86,993</b>	81,938

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

## 16. Financial Memorandum with the Department for Innovation, Universities and Skills

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

	2008 Total £'000	2007 Total £'000
<i>Non Parliamentary Grant</i>		
Income	<b>27,224</b>	63,075
Expenditure	<b>(18,185)</b>	(15,411)
	<b>9,039</b>	47,664

# NOTES TO THE FINANCIAL STATEMENTS

➤ For the year ended 31 March 2008

## 17. Tangible fixed assets

	Leasehold improvements £'000	Computers and other equipment £'000	Assets under Development £'000	2008 Total £'000
<i>Cost:</i>				
At 1 April 2007	13,578	3,254	-	16,832
Additions	199	109	292	600
<b>At 31 March 2008</b>	<b>13,777</b>	<b>3,363</b>	<b>292</b>	<b>17,432</b>
<i>Depreciation:</i>				
At 1 April 2007	2,090	1,850	-	3,940
Charge for year	489	361	-	850
<b>At 31 March 2008</b>	<b>2,579</b>	<b>2,211</b>	<b>-</b>	<b>4,790</b>
<b>Net book value at 31 March 2008</b>	<b>11,198</b>	<b>1,152</b>	<b>292</b>	<b>12,642</b>
<b>Net book value at 31 March 2007</b>	<b>11,488</b>	<b>1,404</b>	<b>-</b>	<b>12,892</b>

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

## 18. Capital commitments

	2008 Total £'000	2007 Total £'000
Authorised but not contracted for	1,500	Nil

The Society has authorised refurbishment of part of 6–9 Carlton House Terrace up to a value of £1.5m, to take place in year ended 31 March 2009.

At the balance sheet date, the Society was pursuing the purchase of substantial premises for the establishment of a Centre for the Advancement of Science.

## 19. Heritage assets

	2008 Total £'000	2007 Total £'000
Valuation or cost at 1 April 2007	47,021	46,085
Additions at cost	-	936
<b>Valuation or cost at 31 March 2008</b>	<b>47,021</b>	<b>47,021</b>
<i>The heritage assets comprise:</i>		
Printed books	13,233	13,233
Archives	22,706	22,706
Pictures, sculptures and other works of Art	8,092	8,092
Other artefacts	2,990	2,990
<b>Total</b>	<b>47,021</b>	<b>47,021</b>

The printed books and archives were valued on 5 August 2003 by Roger Gaskell, a rare book dealer and the pictures and other artefacts by Weller King in May 2004. The valuations are on a fair market/replacement basis. The trustees consider the present market/replacement values are not materially different from those stated.

# NOTES TO THE FINANCIAL STATEMENTS

➤ For the year ended 31 March 2008

## 20. Investments

	2008 Total £'000	2007 Total £'000
Valuation at 1 April 2007	94,887	86,177
Additions	95,241	19,280
Disposal proceeds	(42,285)	(16,994)
Investment management costs	(300)	(156)
(Losses) / gains on valuation at 31 March 2008	(5,147)	6,580
<b>Valuation at 31 March 2008</b>	<b>142,396</b>	94,887
	2008 Total £'000	2007 Total £'000
<b>The valuation at 31 March 2008 comprises:</b>		
<i>Investments listed on a recognised stock exchange including investments and unit trusts:</i>		
UK	79,595	65,908
Overseas	24,261	27,678
<i>Other Unlisted Securities:</i>		
UK	747	-
Overseas	655	-
<i>Cash:</i>		
UK	37,029	1,301
Overseas	109	-
<b>Total</b>	<b>142,396</b>	94,887

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

At 31 March 2008 the following UK equity investments exceeded 5% by value of the invested portfolio.

	%
Landsdowne UK Equity Fund limited Sterling shares	7.9

The Society owns 100% of the issued share capital of Carlton House Terrace Development Limited (note 27). The principal activity of the company is the redevelopment of 6–9 Carlton House Terrace. This property is occupied by the Society.

	2008 Total £'000	2007 Total £'000
<i>Funds are invested:</i>		
General Purposes Specific investments	-	11,453
Trust & Specific Purposes Specific investments	3,580	44
Pooled investments	138,816	83,390
<b>Total</b>	<b>142,396</b>	94,887

At 31 March 2008 the Society held investments valued at AUD 5.7m (£2.6m) within the Australian based portfolio for the Theo Murphy Australia Fund.

# NOTES TO THE FINANCIAL STATEMENTS

➤ For the year ended 31 March 2008

## 21. Debtors

	2008 Receivable within one year £'000	2008 Receivable after one year £'000	2007 Receivable within one year £'000	2007 Receivable after one year £'000
Trade debtors	1,146	-	1,570	-
Grants receivable	5,708	1,651	1,400	1,204
Legacy receivable	155	-	44,391	-
Other debtors	45	-	173	-
Prepayments and accrued income	2,868	-	2,393	-
<b>Total</b>	<b>9,922</b>	<b>1,651</b>	<b>49,927</b>	<b>1,204</b>

At 31 March 2007 the Society recognised as income a substantial legacy receivable from Australia as although it did not have possession and title to the underlying assets it had been confirmed, by the Australian courts, as the beneficiary. This legacy was duly received in full in the year ended 31 March 2008.

Grants receivable in 2008 includes income directly related to grant expenditure accrued.

## 22. Creditors

	2008 Due within one year £'000	2008 Due after one year £'000	2007 Due within one year £'000	2007 Due after one year £'000
Publications advanced sales	2,059	-	1,760	-
Grants payable	8,190	745	6,923	1,181
Other creditors	1,542	-	1,233	-
Accruals	254	-	242	-
<b>Total</b>	<b>12,045</b>	<b>745</b>	<b>10,158</b>	<b>1,181</b>

## 23. Analysis of net assets between funds

	General Purposes Funds £'000	Other Unrestricted Funds £'000	Restricted Funds £'000	Permanent Endowment Funds £'000	2008 Total Funds £'000	2007 Total Funds £'000
<i>Funds' balances at 31 March 2008 are represented by:</i>						
Tangible fixed assets	12,642	-	-	-	12,642	12,892
Heritage assets	47,021	-	-	-	47,021	47,021
Investments	11,637	12,535	43,155	75,069	142,396	94,887
Net Current assets/(liabilities)	3,060	348	(800)	394	3,002	44,005
Creditors: Due after one year	(94)	-	(651)	-	(745)	(1,181)
Defined benefit pension scheme liability	(156)	-	-	-	(156)	(3,172)
<b>Net assets</b>	<b>74,110</b>	<b>12,883</b>	<b>41,704</b>	<b>75,463</b>	<b>204,160</b>	<b>194,452</b>

# NOTES TO THE FINANCIAL STATEMENTS

➤ For the year ended 31 March 2008

## 24. Trust and Specific Purposes Funds – at 31 March 2008

The funds comprising the following have been established from grants and contribution, bequests, gifts and other donations received for the use of the Society in promoting and/or advancing natural science. They are broadly classified by the Society's strategic objectives. With the exception of those classified as unrestricted they are subject to restrictions as to the purpose for which capital (where applicable) and/or income may be applied and to conditions imposed by donors.

	Other Unrestricted Funds £'000	Restricted Funds £'000	Permanent Endowment Funds £'000	2008 Total Funds £'000	2007 Total Funds £'000
<i>Invest in future scientific leaders and in innovation</i>					
Balance 1 April 2007	-	29,277	70,582	99,859	64,378
Income	-	38,382	1,626	40,008	77,165
Expenditure on activities	-	(37,430)	-	(37,430)	(30,910)
Transfers	-	(502)	-	(502)	(13,268)
Net gains on investments	-	(1,119)	(2,616)	(3,735)	2,494
<b>Balance 31 March 2008</b>	-	28,608	69,592	98,200	99,859
<i>Influence policymaking with the best scientific advice</i>					
Balance 1 April 2007	-	2,842	-	2,842	2,751
Income	-	409	-	409	379
Expenditure on activities	-	(391)	-	(391)	(269)
Transfers	-	(178)	-	(178)	(174)
Net gains on investments	-	(120)	-	(120)	155
<b>Balance 31 March 2008</b>	-	2,562	-	2,562	2,842
<i>Invigorate science and mathematics education</i>					
Balance 1 April 2007	-	108	-	108	92
Income	-	806	-	806	820
Expenditure on activities	-	(820)	-	(820)	(803)
Transfers	-	-	-	-	(1)
Net gains on investments	-	-	-	-	-
<b>Balance 31 March 2008</b>	-	94	-	94	108
<i>Increase access to the best science internationally</i>					
Balance 1 April 2007	-	(1,743)	75	(1,668)	(2,495)
Income	-	11,330	-	11,330	7,354
Expenditure on activities	-	(7,343)	-	(7,343)	(6,460)
Transfers	-	(157)	-	(157)	(129)
Net gains on investments	-	(57)	(3)	(60)	62
<b>Balance 31 March 2008</b>	-	2,030	72	2,102	(1,668)
<i>Inspire an interest in the joy, wonder and excitement of scientific discovery</i>					
Balance 1 April 2007	-	3,626	1,388	5,014	4,869
Income	-	1,286	-	1,286	1,416
Expenditure on activities	-	(1,186)	-	(1,186)	(1,392)
Transfers	-	(29)	-	(29)	(68)
Net gains on investments	-	(130)	(61)	(191)	189
<b>Balance 31 March 2008</b>	-	3,567	1,327	4,894	5,014



# NOTES TO THE FINANCIAL STATEMENTS

➤ For the year ended 31 March 2008

## 24. Trust and Specific Purposes Funds – at 31 March 2008 (continued)

	Other Unrestricted Funds £'000	Restricted Funds £'000	Permanent Endowment Funds £'000	2008 Total Funds £'000	2007 Total Funds £'000
<i>Other Funds</i>					
Balance 1 April 2007	7,767	5,311	1,048	14,126	11,614
Income	5,918	185	3,029	9,132	2,852
Expenditure on activities	(162)	(276)	-	(438)	(367)
Transfers	(278)	(244)	-	(522)	(307)
Investment management costs	-	(128)	(118)	(246)	(108)
Net gains on investments	(362)	(5)	513	146	442
<b>Balance 31 March 2008</b>	12,883	4,843	4,472	22,198	14,126
<i>All Funds</i>					
Balance 1 April 2007	7,767	39,421	73,093	120,281	81,209
Income	5,918	52,398	4,655	62,971	89,986
Expenditure on activities	(162)	(47,446)	-	(47,608)	(40,201)
Transfers	(278)	(1,110)	-	(1,388)	(13,947)
Investment management costs	-	(128)	(118)	(246)	(108)
Net gains on investments	(362)	(1,431)	(2,167)	(3,960)	3,342
<b>Balance 31 March 2008</b>	12,883	41,704	75,463	130,050	120,281

There are no funds materially in deficit at 31 March 2008.

## 25. Financial commitments

At 31 March 2008 the Society had the following commitments:

- an annual commitment for rent under a non-cancellable operating lease in respect of occupation of 6–9 Carlton House Terrace, London. The future commitment for rent is estimated at £495k (2007 – £490k) per annum. The next rent review will be on 5 January 2025.
- agreements and commitments to fund research professorships/fellowships and other grants totalling £67m (2007 – £73m). These grants are treated as liabilities of future periods to which they are time related and will be financed by specific grants or other income receivable in those periods.
- the Society has entered into investment contract commitments totalling £7.47m (2007 – £3.8m) payable at dates yet to be agreed.

## 26. Pension obligations

The Society operates a defined benefits Pension Scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the Society and are invested in a fund administered by investment managers. Under the terms of the Trust Deed the scheme is administered by Trustees who delegate routine administration to professional administrators. At 31 March 2008 benefits were accruing to 88 (2007 – 89) members of staff. This is the Society's only Pension Scheme, but the Society makes contributions in respect of 2 employees (2007 – nil) to the Universities Superannuation Scheme.

# NOTES TO THE FINANCIAL STATEMENTS

➤ For the year ended 31 March 2008

## 26. Pension obligations (continued)

The contributions and pension costs are determined by a qualified actuary on the basis of a triennial valuation; the most recent valuation being at 1 January 2007. For the purposes of the valuation the actuary assumed that earnings would increase by 5% per annum and the interest earned on future income of the fund would be 7.5% per annum. The valuation at 1 January 2007 showed that the market value of the scheme's assets was £6.8m, with the actuarial value of those assets representing a MFR funding solvency of 98%. The next valuation was due at 1 January 2010.

Contributions payable by the Society during the year were at the rate of 16% of pensionable salaries. Members contributions were 7%. An additional contribution of £750k to reduce the deficit was paid into the Plan by the Society in December 2007. Life cover and dependents' pensions in respect of death in service are provided by additional insurance premiums.

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

For the purposes of the valuation, the assumptions used for calculating the liabilities as at 31 March 2008, 31 March 2007 and 31 March 2006 were:

	2008 %	2007 %	2006 %
Inflation	3.70	3.10	2.90
Salary escalation	5.70	6.10	5.90
Increase to pensions in payment*			
– subject to LPI minimum 4%	4.20	4.10	4.25
– subject to LPI	3.60	3.10	2.90
Statutory revaluation	2.90	2.90	2.90
Discount rate (pre-and-post-retirement)	6.50	5.30	4.90

\*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%.

	2008		2007		2006		2005	
	Value £'000	Long-term rate of return %	Value £'000	Long-term rate of return %	Value £'000	Long-term rate of return %	Value £'000	Long-term rate of return %
Equities	13,092	7.0	12,247	7.3	10,980	7.5	6,720	8.2
Property	163	7.4	172	7.7	140	7.9	80	7.3
Bonds	1,532	3.9	1,531	4.2	1,380	4.4	860	4.3
Cash and other net assets	1,534	3.9	1,671	4.2	1,060	4.4	610	4.2
<b>Total fair value of assets</b>	<b>16,321</b>		15,621		13,560		8,270	
Present value of scheme liabilities	(16,477)		(18,793)		(17,920)		(14,790)	
<b>Net pension liability – deficit in the scheme</b>	<b>(156)</b>		(3,172)		(4,360)		(6,520)	

The scheme has a number of purchased annuities in respect of past retirements. These are understood to fully match the associated liabilities and have been excluded from both the assets and the liabilities at 31 March 2008, 31 March 2007, 31 March 2006 and 31 March 2005.

# NOTES TO THE FINANCIAL STATEMENTS

➤ For the year ended 31 March 2008

## 26. Pension obligations (continued)

*Analysis of the amount chargeable to charitable expenditure\*.*

	2008 Total £'000	2007 Total £'000
Operating charge	693	634
<i>Current service cost (excluding death in service)</i>		
Expected return on the assets	1,062	892
Interest cost	(1,003)	(876)
Other finance income	59	16

\*This information has been incorporated into the Statement of Financial Activities on page 14.

*Analysis of amounts recognisable within gains and losses categories of the Statement of Financial Activities\**

	2008		2007		2006		2005	
	£'000	%	£'000	%	£'000	%	£'000	%
Annual return less expected return on Pension Scheme assets	(1,370)	(8.4)	(365)	(2.3)	1,550	11.4	250	3.0
Experience gains and losses arising on the scheme liabilities	(99)	(0.6)	778	4.1	(50)	(0.3)	(30)	(0.2)
Change in assumptions underlying the present value scheme liabilities	3,881	14.6	(51)	(2.0)	(1,690)	(9.4)	(1,180)	(8.0)
<b>Actuarial gain / (loss) on defined benefits scheme</b>	<b>2,412</b>		362		(190)		(960)	

\*This information has been incorporated into the Statement of Financial Activities on page 15.

The above percentages for the actual return less expected return are expressed as a percentage of the scheme assets at the end of the period. All other percentages are expressed as a percentage of the scheme liabilities at the end of the period.

*The movement in the deficit during the year is as follows based on the assumptions given above.*

	2008 Total £'000	2007 Total £'000
Deficit at 1 April 2007	3,172	4,360
<i>Movement in the year:</i>		
Current service cost	693	634
Contributions	(1,238)	(1,444)
Other finance income	(59)	(16)
Actuarial (gain)/loss	(2,412)	(362)
Deficit at 31 March 2008	156	3,172
<i>The deficit comprises:</i>		
Fair value of assets	16,321	15,621
Present value of liabilities	(16,477)	(18,793)
	156	3,172

# NOTES TO THE FINANCIAL STATEMENTS

➤ For the year ended 31 March 2008

## 27. Subsidiary undertaking

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

The Society owns 100% of the £1 called-up and issued share capital of the Royal Society Enterprise Fund Limited which was incorporated on 22 January 2008. The principal activity of that company is supporting the commercialisation of research. The company did not trade during the year.

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

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

	2008 Total £'000	2007 Total £'000
<b>Restricted Funds</b>		
<i>Incoming resources:</i>		
Dividends and interest	47	43
<i>Resources expended:</i>		
Charitable grants to the Royal Society	(47)	(43)
	-	-
<b>Permanent Endowment Funds</b>		
Balance at 31 March 2008	1,021	1,140
<b>Total Funds as at 31 March 2008</b>	<b>1,021</b>	<b>1,140</b>

## 29. Other funds

	2008 Investment Market Value £'000	2007 Investment Market Value £'000
<i>The Society is the beneficiary of the following funds:</i>		
<b>CURL FUND</b> The investments for this fund are held and managed by the New Zealand Public Trust Office	38	38
<b>HORACE LE MARQUAND AND DUDLEY BIGG TRUST</b> The investments of the permanent endowment of the Trust are held and managed by Rensberg Sheppards. The Trustees are Investec Trust (Jersey) Limited.	434	473
<b>STEAD FUND</b> The Society receives the income from certain investments held by Killik & Co, Stockbrokers, after payment of certain life annuities. On the death of the annuities the capital will revert to the Society.	2	2

## 30. Post Balance Sheet Events

On 14 May 2008, a conditional offer of £6.5m was accepted in respect of the purchase by the Society of a substantial property for the establishment of a Centre for the Advancement of Science. The Society has received a commitment for £5m from the Kavli Foundation as a contribution to this purchase. On 22 May 2008, the National Westminster Bank Plc, The Institute of Physics and the Institution of Engineering and Technology resigned as trustees of the Paul Instrument Fund, leaving the Society as sole trustee. At this date, assets valued at £9.3m belonging to the fund were transferred to the Society.



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

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## PARLIAMENTARY GRANT-IN-AID

for the year ended 31 March 2008

## **➤ INDEPENDENT AUDITORS' REPORT TO THE SECRETARY OF STATE FOR THE DEPARTMENT FOR INNOVATION, UNIVERSITIES AND SKILLS (DIUS) ON THE ACCOUNTS OF THE PARLIAMENTARY GRANT-IN-AID PROGRAMME OF THE ROYAL SOCIETY**

**For the year ended 31 March 2008**

We have audited the accounts on pages 36-38, which have been prepared on an accruals basis.

### **➤ RESPONSIBILITIES**

The respective responsibilities of the Royal Society and its Executive Secretary as Accounting Officer for the Parliamentary Grant for the preparation of these accounts are set out in a Financial Memorandum dated 31 October 2005, which contains conditions attaching to the Grant-in-Aid including the following:

- any income and expenditure not covered by funds provided by the Secretary of State for the Department for Innovation, Universities and Skills but accounted for within the Parliamentary Grant-in-Aid shall be clearly identified;
- the Society shall comply with any directions given by the Secretary of State for the Department for Innovation, Universities and Skills, approved by the Treasury, as to the information to be contained in the statement, the manner in which the information is to be presented, and methods and principles according to which the statement is to be prepared;
- the Auditors should be qualified under the terms of the Companies Act;
- the Auditors' Report, in addition to giving an opinion on whether the accounts give a true and fair view of the Society's surplus or deficit for the year, should say whether grant monies have been properly applied in accordance with the terms and conditions of grant and for the purposes approved by the Secretary of State.

Our report has been prepared for the purposes stated above and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for those purposes or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

### **➤ BASIS OF OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of whether the accounting policies are appropriate to the circumstances of the programme, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the accounts.

### **➤ OPINION**

In our opinion the accounts give a true and fair view of the state of affairs of the programme at 31 March 2008 and of its deficit for the year then ended and that in all material respects the expenditure and income have been applied for the purposes intended by Parliament, which are set out in the Financial Memorandum, and the financial transactions conform to the authorities that govern them.

PKF (UK) LLP  
Chartered Accountants  
Registered Auditors  
London

3 July 2008

# PARLIAMENTARY GRANT-IN-AID

## ➤ SUMMARY OF INCOME & EXPENDITURE For the year ended 31 March 2008

	Invest £'000	Influence £'000	Invigorate £'000	Increase £'000	Inspire £'000	Support and Central Expenses £'000	2008 Total £'000	2007 Total £'000
<b>PARLIAMENTARY GRANT-IN-AID</b>								
<i>Income:</i>								
Office of Science and Innovation grant received in year	29,842	250	495	7,397	654	2,434	41,072	36,409
Transfer (from) / to prior years							-	(60)
(Outstanding) / Prepaid in year	395	-	-	3,466	-	-	3,861	-
Refunds	147	-	-	294	-	-	441	287
	30,384	250	495	11,157	654	2,434	45,374	36,636
<i>Expenditure:</i>								
<i>Grant and activity costs</i>								
(Outstanding) / prepaid 1 April 2007	1,808	-	(24)	(3,784)	(52)	-	(2,052)	(2,904)
Out-turn for the year	30,197	256	548	7,709	524	2,434	41,668	36,636
(Outstanding) / prepaid 1 April 2008	(956)	-	-	3,311	-	-	2,355	2,052
	31,049	256	524	7,236	472	2,434	41,971	35,784
	(665)	(6)	(29)	3,921	182	-	3,403	852
<i>Deposit interest:</i>								
Interest receivable							149	180
Surrenderable to the Office of Science and Innovation							(149)	(180)
							-	-
<i>Surplus of income over expenditure</i>								
Surplus / (deficit) for the year							3,403	852
Balance as at 31 March 2007							(2,052)	(2,904)
<b>BALANCE as at 31 March 2008</b>							<b>1,351</b>	<b>(2,052)</b>
<i>Represented by:</i>								
Grants partly prepaid							1,351	2,205
Grant receivable							3,706	-
Other debtors							-	-
Balance at bank							652	297
							5,709	2,502
Grants due for payment within one year							(3,293)	(3,115)
Grants due for payment after one year							(647)	(1,142)
Other Creditors							(362)	(87)
Amount repayable to the Office of Science and Innovation							(56)	(210)
							1,351	(2,052)

Stephen Cox  
Accounting Officer  
3 July 2008

# PARLIAMENTARY GRANT-IN-AID

## ➤ SUMMARY OF INCOME & EXPENDITURE For the year ended 31 March 2008

	Parliamentary Grant-in-Aid Received £'000	Refunds £'000	Grants & Subscriptions £'000
<b><i>INVEST IN FUTURE SCIENTIFIC LEADERS AND IN INNOVATION</i></b>			
Research Professors	1,205	-	1,044
University Research Fellows	16,107	16	16,353
Dorothy Hodgkin Fellows	3,037	-	2,090
Japan 2+2 Fellows	57	17	10
Diversity Fellows	30	-	5
Industry Fellows	500	-	500
Research Support	4,031	91	5,793
Research Merit Awards	2,000	-	2,000
Innovation Awards	250	-	250
Rosalind Franklin Award	40	-	52
Relocation Fellowship Grants	642	-	320
Research Grants	1,943	23	2,632
	<b>29,842</b>	<b>147</b>	<b>31,049</b>
<b><i>INFLUENCE POLICYMAKING WITH THE BEST SCIENTIFIC ADVICE</i></b>			
Science Policy	250	-	256
	<b>250</b>	<b>-</b>	<b>256</b>
<b><i>INVIGORATE SCIENCE AND MATHEMATICS EDUCATION</i></b>			
Education Policy Advice	125	-	183
Education Grants	187	-	148
Education Events/ Resources for Schools	38	-	48
Education Networking	-	-	-
Royal Institution	145	-	145
	<b>495</b>	<b>-</b>	<b>524</b>



# PARLIAMENTARY GRANT-IN-AID

## ➤ SUMMARY OF INCOME & EXPENDITURE For the year ended 31 March 2008

	Parliamentary Grant-in-Aid Received £'000	Refunds £'000	Grants & Subscriptions £'000
<b><i>INCREASE ACCESS TO THE BEST SCIENCE INTERNATIONALLY</i></b>			
New Frontiers	40	-	168
Capacity Building	40	2	63
UK International Science Policy	16	-	26
Asia	40	-	52
Europe	40	-	40
Rest of World	10	-	10
International Lectures	-	-	20
ICSU	60	-	62
International Seismological Centre	-	-	69
International Activities	45	-	6
International Networking	-	-	-
Relations with Overseas Academies	21	-	21
Academia Europea	79	-	85
Short Visits	800	76	794
Conference Grants	1,055	28	986
Joint Projects	1,646	137	1,726
International Fellows	2,384	51	1,787
Science in Africa	500	-	661
RS Research Projects	95	-	85
International Subscriptions	315	-	358
International Meetings in UK	210	-	217
	<b>7,396</b>	<b>294</b>	<b>7,236</b>
<b><i>INSPIRE AN INTEREST IN THE JOY, WONDER AND EXCITEMENT OF SCIENTIFIC DISCOVERY</i></b>			
History of Science Projects	84	-	32
Medals, Lectures and Awards	100	-	101
Summer Science Exhibition	113	-	113
Royal Event	-	-	-
Training for Scientists	14	-	23
Adhoc Activities	64	-	49
Diversity	30	-	5
Media Master Classes	-	-	-
Science in Society	250	-	149
	<b>655</b>	<b>-</b>	<b>472</b>
<b><i>SUPPORT AND CENTRAL EXPENSES</i></b>			
Rent	490	-	490
Operating Costs	1,944	-	1,944
	<b>2,434</b>	<b>-</b>	<b>2,434</b>
<b>TOTAL</b>	<b>41,072</b>	<b>441</b>	<b>41,971</b>



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The Royal Society is a fellowship of 1,400 outstanding individuals from all areas of science, engineering and medicine, who form a global scientific network of the highest calibre. The Fellowship is supported by a permanent staff of 131 with responsibility for the day-to-day management of the Society and its activities.

**As we prepare for our 350th anniversary in 2010, we are working to achieve five strategic goals:**

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



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