

# Trustees' Report and Financial Statements

For the year ended 31 March 2009

EXCELLENCE  
IN SCIENCE



THE ROYAL SOCIETY

# Trustees' Report

For the year ended 31 March 2009

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## **Auditors**

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

## **Solicitors**

Needham & James LLP  
Needham & James House  
Bridgeway  
Stratford upon Avon  
Warwickshire  
CV37 6YY

## **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**

haysmacintyre  
Fairfax House  
15 Fulwood Place  
London  
WC1V 6AY

# Trustees' Report

For the year ended 31 March 2009

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 Peter Williams CBE

## Biological Secretary and Vice-President

Sir David Read <sup>a</sup>

Dame Jean Thomas DBE <sup>b</sup>

## Physical Secretary and Vice-President

Sir Martin Taylor

## Foreign Secretary and Vice-President

Professor Lorna Casselton

## Vice-Presidents

Lord Krebs of Wytham <sup>a</sup>

Sir Christopher Llewellyn Smith <sup>b</sup>

Dame Nancy Rothwell DBE <sup>b</sup>

## Other members of the Council

Professor Frances Ashcroft <sup>a</sup>

Sir David Baulcombe

Sir Michael Berry <sup>b</sup>

Sir Michael Brady <sup>a</sup>

Dame Kay Davies DBE

Dame Ann Dowling DBE <sup>b</sup>

Professor Jeffery Errington

Professor Alastair Fitter <sup>b</sup>

Professor Roderick Flower <sup>a</sup>

Sir Richard Friend <sup>b</sup>

Professor Lynn Gladden CBE <sup>a</sup>

Sir David King <sup>a</sup>

Sir John Kingman <sup>b</sup>

Dr Tim Palmer

Professor Carol Robinson <sup>b</sup>

Professor Bernard Silverman <sup>b</sup>

Professor Adrian Smith <sup>a</sup>

Dr Andrew Smith <sup>a</sup>

Professor James Stirling <sup>a</sup>

Sir John Sulston

Professor Andrew Thomson OBE

Professor Fiona Watt <sup>b</sup>

## Changes

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

<sup>a</sup> Member until 30 November 2008

<sup>b</sup> Member since 30 November 2008

## Executive Secretary

Mr Stephen Cox CVO

## Registered Address

6-9 Carlton House Terrace

London

SW1Y 5AG

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

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For the year ended 31 March 2009

Students from Childwall School in Liverpool, who exhibited their Partnership Grants project, *Nutrients in the Irish Sea*, at the Royal Society's Summer Science Exhibition in 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. 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, four of whom 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. Some 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 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.

### Fellowship

The Royal Society is a Fellowship of outstanding scientists drawn from all areas of science, engineering and medicine. The Society's mission is best described as being to expand the frontiers of

# Trustees' Report

For the year ended 31 March 2009

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

## Volunteers

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

Council regards The Wolfson Research Professorship of the Royal Society to be a Connected Charity of the Royal Society. The charity's objectives and activities are common to or in parallel with, those of the Society and 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. Note 26 to the accounts sets out the Society's relationship with its subsidiary undertakings.

## 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 Finance and Operations, Public Affairs, Science Policy and the senior management team. In March 2009 the Society had 136 staff in post. This year a new HR Administrator and a HR Manager were appointed.

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 eight activity sections, and six resource and support sections. The 2010 Anniversary Programme is managed by an additional temporary section and the Enterprise Fund is managed by a Chief Executive Officer.

## 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;

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For the year ended 31 March 2009

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 fundraising activity, guide our submissions to government in the spending reviews and help determine our plans for our 350th Anniversary in 2010.

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

## **Achievements and Performance during the year**

**Major achievements and performance against the strategic priorities during the year are summarised below. In reviewing the Society's performance during the year, Council has had regard to the guidance on public benefit issued by the Charity Commission.**

### **Invest**

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

The Royal Society supports more than 800 UK based research Fellowships. In 2008-09, 36 University Research, 17 Dorothy Hodgkin, 9 Industry, and 7 Leverhulme Trust Senior Research Fellowships were awarded. Additionally the Research Grants

scheme (supporting young scientists to change the direction of their research) awarded 146 grants. Royal Society discussion meetings are interdisciplinary international conferences on novel and innovative areas of science, engineering and technology. During 2008-09, 2,000 participants attended 12 scientific discussion meetings held on a variety of topical science subjects.

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

Philanthropic fundraising for the Royal Society Enterprise Fund (providing financial support to start-up businesses emerging from the science base) has reached a total of over £6m in donations towards a £20m initial target during the year.

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

### **Influence**

The Royal Society provides independent advice, based on the best scientific evidence available, to those determining policy. This year the Society's work has touched on topics as diverse as synthetic biology, climate geoengineering, nuclear security, and the role of Science, Technology, Engineering and Maths (STEM) in service sector innovation.

The Society began the year with a letter to the Secretary of State for Business, Enterprise and Regulatory Reform, John Hutton, highlighting the potential risks of building new coal fired power stations in tackling climate change, and the importance of developing and deploying carbon capture and storage technologies. In October 2008, the Society published a major report for policy-makers, *Ground-level ozone in the 21st century: future trends, impacts and policy implications*. A study into biological approaches to enhance food-crop production provides a balanced assessment of the challenges of food security over the next 30 years and the contribution that next-generation biological approaches could make to food production.

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For the year ended 31 March 2009

The Society's synthetic biology policy coordination group met several times to discuss some of the issues surrounding this area, such as the low level of awareness of activities in the UK. A study into the role that Science, Technology, Engineering and Maths (STEM) play in service sector innovation was launched in June 2008. To create an influential and dynamic hub for science policy a new series of 'Policy Lab' meetings was launched in February 2009. It brings together scientists, policymakers and opinion formers to debate the emerging questions in science policy.

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

## **Invigorate**

This year the Society strengthened the evidence base supporting science and mathematics education and developed the key partnerships of SCORE and ACME. ACME (Advisory Committee on Mathematics Education), operating under the auspices of the Royal Society, has maintained its profile as the leading advisory body on 5-19 mathematics education in England. SCORE (Science Community Representing Education) has been leading on work to coordinate 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.

The Society's flagship education outreach activity, the Partnership Grants Scheme awarded £106,085 to 30 Primary School and 27 Secondary School projects across the UK. Additional funding from the Mercers' Charitable Foundation will see Partnership Grants expand further over the next year, increasing the numbers of grants awarded. As a result of generous support received from The Ogden Trust and the Shuttleworth Foundation, in January 2009 the Society launched a new Education Research Fellowship scheme. The Ogden Trust will support a Fellowship in the area of physics education research, while the Shuttleworth Foundation will support a Fellowship in the field of science, technology, engineering and mathematics education.

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

## **Increase**

The aim of the Society's international policy work is to encourage global cooperation on science policy, bring an international voice of science into the global policy debate, promote scientific capacity building in developing countries and facilitate collaboration with partners outside the UK. The Royal Society ran a successful 'Africa Week' in November 2008 – a celebration of our work in Africa and a chance to launch two new flagship programmes that build on existing projects: the Leverhulme-Royal Society Africa Awards and the Royal Society Pfizer African Academies Programme. The Society held two Frontiers of Science meetings – in Germany and in Japan – stimulating contacts between the young scientific communities in each country. Unique in the UK funding portfolio, the programme is cross-disciplinary, providing an opportunity for researchers to discuss the big questions in their fields from a purely scientific point of view.

The Royal Society's International Grants programme enables high-calibre UK scientists to initiate collaborations through working with the world's leading researchers. The Newton International Fellowship scheme aims to attract the very best early stage post-doctoral researchers from around the world to UK research institutions. This new scheme (in partnership with the British Academy and the Royal Academy of Engineering) covers the broad range of natural and social sciences, engineering and the humanities and appointed 51 Fellows in 2008/09.

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

## **Inspire**

The Royal Society Summer Science Exhibition proved to be as popular as ever in June and July, with 4,300 visitors. An additional 15,000 viewers explored the Exhibition website. The Royal Society's public programme of lectures and debates consisted of 17 events attracting an audience of over 3,500. Royalsociety.tv (which hosts the live web casts and video archive) was viewed by 17,500 people.

# Trustees' Report

For the year ended 31 March 2009

The Society continues to influence and inspire policy makers and opinion formers through its profile in the media. Public lectures and discussion meetings on issues such as Mathematics in the real world and achieving a low carbon energy future featured in the press, bringing the role and benefits of science to the public's attention. The website was the principal medium through which the Society communicated with its global audiences attracting nearly 1.4 million visitors over the year.

Plans to refurbish the Library and Archives to create the Royal Society's Centre for the History of Science have progressed, and we expect the work to begin in 2009/10. Accessions included several interesting 20th century collections of scientific illustrations and a large selection of field notebooks and photographs from the Society's 1967-69 expedition to Matto Grosso. The first specially commissioned non-Presidential portrait of a living Fellow, Sir Tim Berners-Lee FRS was unveiled at a gathering that included the sitter in late 2008.

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

## Fundraising

The 350th Anniversary Campaign has raised almost £95m to date, with over £16m of gifts and pledges in the past financial year. More than 30% of the Fellows have supported the campaign, contributing £10.5m in donations and pledges. 2008 saw the launch of the Royal Society Enterprise Fund, which has secured over £6.5m in philanthropic support including several major gifts. A substantial gift from The Kavli Foundation has enabled the Society to complete the purchase of Chicheley Hall for £6.5m, to house The Kavli Royal Society International Centre which will be a new 'home of science' where scientists, technologists and engineers from the UK and all over the world will be able to meet to discuss and develop their work. The Society was also able to announce the establishment of a new USA/UK scientific forum to be operated jointly with the National Academy of Sciences in the US, which was made possible thanks to a generous gift from

the Raymond and Beverly Sackler Foundation. In February 2009, the Society launched the Presidents' Circle to acknowledge and thank benefactors who have made significant gifts to the campaign.

## Plans for 2009/10

**The coming year is the fourth year of the Society's ambitious five year strategy whose aim is 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. Moreover, 2010 is the Society's 350th anniversary year and we are planning a major programme of activities to raise the profile of science and attract more audiences.**

These will include a scientific programme based around discussion meetings on cutting edge science, a series of special publications including anniversary editions of learned journals and a book exploring aspects of the Society's history, a range of programmes delivered in co-operation with regional and natural museums and learned societies and a ten-day summer of science at the South Bank. We hope to achieve our goal of raising £100m by the year end, to extend the work of the recently established new Science Policy Centre, to establish a History of Science Centre based on our library archives and to complete the renovation of Chicheley Hall to create The Kavli Royal Society International Science Centre.

The anniversary year will start during the second year of expenditure for the 2007 Spending Review and from our Parliamentary Grant-in-Aid we will support research scientists and engineers through a range of appointments, grants and international activity, support for science communication and innovation and science education.



# Trustees' Report

For the year ended 31 March 2009

## Financial Review

**The Society held freely available income funds of £7.9m at the year end. £75.7m of net unrestricted funds include £20.7m of tangible fixed assets and £47m of heritage assets. These reserves are held to maintain the independence of the Society and to meet the short term needs of the Society, particularly in the event of the loss of its major sources of funding.**

The Society has not designated any of its funds but further to the purchase cost, the Society has decided to commit £9m of its resources to fund the refurbishment of the Kavli Royal Society International Centre at Chicheley Hall during 2009/10. The Society holds a £32m expendable endowment. The Society also took out a three year £7m loan in February 2009 to assist in the purchase and renovation of the hall.

The Society agreed a scheme with the Charity Commission during the year to amalgamate a number of its funds into four new major funds better placed to support the objectives of the Society. These funds and other major funds held by the Society are presented at notes 22 and 23 to the accounts. No funds are in a deficit position.

The principal funding sources of the Society in the year were its Parliamentary Grant-in-Aid (PGA) allocation (£43.4m), voluntary income receivable from Fellows and friends of the Society (£18.4m, including transfer in of the RW Paul Fund at £9.37m), income from the Society's investments (£4.7m) and surpluses from the Society's trading activities (£2.3m). The Society's trading activities remain strong and the Society continues to receive substantial donations from its Fellows and friends. The PGA allocation was agreed in the 'Science Budget 2008-09 to 2010-11' with the Department of Innovation Universities and Skills.

The expenditure for 2008/09 has supported the objectives of the Society as set out in the 'Statement of Financial Activities' on pages 10 and 11 of this report.

The Society having been in existence since 1660 takes a very long term view on its investments and their performance. The Society aims to produce above average total returns on its portfolio, whilst having access to sufficient cash to meet its planned activities. The Society's main portfolio is now held within Rathbone Investment Management Limited. The Society chose to consolidate its portfolio within Rathbones during the year but retains a smaller holding of predominantly private equity investments with UBS AG. The value of the Society's investments fell by £29m over the year. The impact of the worldwide fall in the value of investments was somewhat reduced by the retention of a substantial holding in cash, fixed interest and index linked products.

The Society expects investments in the portfolio normally to comprise of leading UK and international companies, Unit and Investment Trusts including those investing in major international markets, property and fixed interest. The emphasis in the UK portfolio is on larger well established companies paying a dividend in excess of the market, although it is expected that it will also include a proportion of medium and smaller sized companies, venture capital, hedge, private equity and property funds. The Society's Australian portfolio is managed by Evans & Partners Pty Ltd of Melbourne, Australia investing predominantly in Australian equities.

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

**Signed on behalf of Council by the President  
LORD REES OF LUDLOW  
2 July 2009**

# Report of the Independent Auditors to the Fellowship of the Royal Society

For the year ended 31 March 2009

**We have audited the Financial Statements of the Royal Society for the year ended 31 March 2009 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 responsibility 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 2009 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  
2 July 2009

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

For the year ended 31 March 2009

**At a meeting of the Audit Committee held on 22 June 2009 the Committee examined the Treasurer's financial statements for the year ended 31 March 2009, set out on pages 10 to 32, 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 2009. 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  
22 June 2009

# Consolidated Statement of Financial Activities

For the year ended 31 March 2009

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Expendable Endowment Funds £'000	Permanent Endowment Funds £'000	2009 Total Funds £'000	Restated 2008 Total Funds £'000
<b>INCOMING RESOURCES</b>							
<b>Incoming resources from generated funds</b>							
Grants for charitable activities	1	2,389	47,965	-	-	<b>50,354</b>	45,217
Voluntary income	2	7,659	992	-	9,783	<b>18,434</b>	9,471
Investment income	3	1,417	3,270	-	-	<b>4,687</b>	3,652
Other income		131	-	-	126	<b>257</b>	755
		11,596	52,227	-	9,909	<b>73,732</b>	59,095
<b>Incoming resources from charitable activities</b>							
Trading in furtherance of charitable objectives	4	6,642	-	-	-	<b>6,642</b>	5,511
<b>Total incoming resources</b>		18,238	52,227	-	9,909	<b>80,374</b>	64,606
<b>RESOURCES EXPENDED</b>							
<b>Costs of generating funds</b>							
Costs of generating grants and voluntary income		544	-	-	-	<b>544</b>	616
Investment management costs		97	207	-	-	<b>304</b>	300
<b>Total costs of generating funds</b>	5	641	207	-	-	<b>848</b>	916
<b>Charitable activities</b>							
<b>Invest</b> in future scientific leaders and in innovation		3,599	40,136	-	-	<b>43,735</b>	38,599
<b>Influence</b> policymaking with the best scientific advice		1,815	-	-	-	<b>1,815</b>	2,283
<b>Invigorate</b> science and mathematics education		1,037	714	-	-	<b>1,751</b>	1,247
<b>Increase</b> access to the best science internationally		1,462	7,804	-	-	<b>9,266</b>	9,537
<b>Inspire</b> an interest in the joy, wonder and excitement of scientific discovery		3,979	1,226	-	-	<b>5,205</b>	4,826
Other		-	-	-	-	-	405
<b>Total for cost of charitable activities</b>	6	11,892	49,880	-	-	<b>61,772</b>	56,897
Governance costs	6	599	-	-	-	<b>599</b>	688
<b>Total resources expended</b>		13,132	50,087	-	-	<b>63,219</b>	58,501

# Consolidated Statement of Financial Activities

For the year ended 31 March 2009

Continued from page 10

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Expendable Endowment Funds £'000	Permanent Endowment Funds £'000	2009 Total Funds £'000	Restated 2008 Total Funds £'000
<b>Net incoming resources before transfers</b>		5,106	2,140	-	9,909	<b>17,155</b>	6,105
Transfers on creation of new funds	13,22	(7,214)	(27,031)	34,245	-	-	-
Gross transfers between funds	13	1,671	(174)	(1,497)	-	-	-
<b>Net incoming / (outgoing) resources before other recognised gains and losses</b>		(437)	(25,065)	32,748	9,909	<b>17,155</b>	6,105
Net (losses) on investments	18	(8,247)	(4,147)	(758)	(15,836)	<b>(28,988)</b>	(5,147)
Actuarial gains on defined benefits pension scheme	25	(2,589)	-	-	-	<b>(2,589)</b>	2,412
<b>Net movement in funds</b>		(11,273)	(29,212)	31,990	(5,927)	<b>(14,422)</b>	3,370
<b>Reconciliation of funds</b>							
Total funds brought forward as reported at 1 April 2008		86,993	41,704	-	75,463	<b>204,160</b>	194,452
Restatement in prior years							
2007	29	-	-	-	-	-	2,299
2008	29	-	(4,039)	-	-	<b>(4,039)</b>	-
Total funds brought forward as restated at 1 April 2008		86,993	37,665	-	75,463	<b>200,121</b>	196,750
<b>Total funds carried forward 31 March 2009</b>		75,720	8,453	31,990	69,536	<b>185,699</b>	200,120

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

# Consolidated Balance Sheet

For the year ended 31 March 2009

	Notes	2009 £'000	Restated 2008 £'000
<b>Fixed Assets</b>			
Tangible assets	15	20,786	12,642
Heritage assets	17	47,023	47,021
Investments	18	128,453	142,396
		<b>196,262</b>	202,059
<b>Current Assets</b>			
Stock		19	16
Debtors receivable within one year	19	4,198	4,446
Debtors receivable after one year	19	4,802	1,004
Cash at bank and in hand		1,759	3,458
		<b>10,778</b>	8,924
Creditors: amount due in one year	20	<b>(11,404)</b>	(10,706)
<b>Net Current Liabilities</b>		<b>(626)</b>	(1,782)
<b>Total assets less current assets</b>		<b>195,636</b>	200,277
Creditors: amount due after one year	20	<b>(7,083)</b>	-
		<b>188,553</b>	200,277
Defined Benefits Pension Scheme: liability	25	<b>(2,854)</b>	(156)
<b>Net Assets</b>		<b>185,699</b>	200,121
Permanent Endowment Funds	23	<b>69,536</b>	75,463
Expendable Endowment Funds	23	<b>31,990</b>	-
Restricted Funds	23	<b>8,453</b>	37,665
Unrestricted Income Funds	23	<b>75,720</b>	86,993
		<b>185,699</b>	200,121

The financial statements were approved and authorised for issue by Council and signed on its behalf on 2 July 2009.

**SIR PETER WILLIAMS CBE**  
Treasurer

# Consolidated Cash Flow Statement

For the year ended 31 March 2009

	Notes	2009 £'000	Restated 2008 £'000
<b>Reconciliation of net incoming resources to net cash inflow from activities</b>			
Net incoming resources before revaluation		17,155	6,105
Depreciation charges		1,008	850
Loss on disposal of fixed assets		206	-
Increase in stocks		(3)	(1)
Decrease/(increase) in debtors		(3,550)	45,681
Increase in creditors		7,781	1,665
Increase/(decrease) in pension fund liability		108	(604)
		<b>22,705</b>	53,696
<b>CASH FLOW STATEMENT</b>			
		2009 £'000	2008 £'000
Net cash outflow from activities		22,705	53,696
Capital outflow	1	(24,404)	(53,255)
Increase (decrease) in cash	2	(1,699)	441
<b>NOTES TO THE CASH FLOW STATEMENT</b>			
<b>1. Capital (outflow)/inflow</b>			
		2009 £'000	2008 £'000
Purchase of tangible fixed assets		(9,357)	(600)
Purchase of heritage assets		(2)	-
Net purchase of investments		(15,045)	(52,655)
Net Capital (outflow)/inflow		(24,404)	(53,255)
Proceeds from the sale of investments and Purchase of investments are stated net of amounts reinvested			
<b>2. Increase (decrease) in cash</b>			
		2009 £'000	2008 £'000
<b>Cash at bank and in hand</b>			
Balance 31 March		1,759	3,458
Change in year		(1,699)	441

# Accounting Policies

For the year ended 31 March 2009



Professor Verity Brown –  
Royal Society Industry Fellow

## Accounting convention

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

## Donations, gifts and other income

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

## Legacies

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

## Fellows' Contributions

Fellows' Annual Contributions are recognised in the year in which they become due. Fellows' Annual Contributions may be compounded into a single payment. 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 the year ending on 31 March 2008.

## Charitable expenditure

Charitable expenditure includes all expenditure incurred on grants awarded, on other schemes run

in pursuance of the Society's objectives under its Charter, including Fellowship activities and primary purpose trading. The direct costs of supporting these activities, including staff, establishment and other overhead costs are separately analysed and shown as support costs under this heading.

## Administration charges

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

## Foreign currency

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

## Resource allocation

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

## Support costs

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

## Grants receivable

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



# Accounting Policies

For the year ended 31 March 2009

deferred income until those restrictions are met. Grants received for specific purposes are accounted for as Restricted funds.

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

## Grants payable

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

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

## Tangible fixed assets

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

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

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

Capitalised assets in the course of construction 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.

## Heritage assets

The Society's heritage assets are those held as objects of the charity and comprise its library, artefacts, portraits, busts and scientific collections. These assets are included on the Balance Sheet using a historical valuation based on a fair market/replacement value in 2003 and 2004 as stated in note 17. Additions to the heritage assets subsequent to this valuation are held at cost price. This valuation policy reflects the value the assets are held at for insurance purposes.

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.

## Investments

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

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

## 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 FRS 17 rules at each Balance Sheet date. Any surplus or deficit is shown in the Balance Sheet as an asset or liability.

# Accounting Policies

For the year ended 31 March 2009

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 FRS 17, and gains and losses on settlements and curtailments. Past service costs are recognised immediately if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest costs and the expected return on assets are shown as a net amount of other finance costs or credits charged or credited to the Statement of Financial Activities. Actuarial gains and losses are recognised immediately under the description "Actuarial losses on defined benefits pension scheme".

## **Subsidiary undertakings**

The Society has two wholly owned subsidiary companies, Carlton House Terrace Developments Limited (which was dormant in year) and The Royal Society Enterprise Fund Limited. The results of these companies are consolidated into the financial statements (see Note 26).

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

## **Transfers**

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

## **Prior year adjustments**

Following a review which was undertaken in the year of the accounting for grants payable and receivable, there has been a change in the accounting treatment of certain types of grant income and expenditure. The following items have been adjusted by restating comparative figures from previous years, as detailed in note 29:

### **1) Grants payable**

The review of the conditions attached to all the Society's multi-year grants payable confirmed that there is no liability conferred on the Society for

payments in future periods, for example if external funding for the scheme was lost. There were a few grants schemes in which the full commitment for the grant had been previously provided in the year of award. This has now been changed and for all fellowship schemes or other staged payment schemes (including the Wolfson Lab Refurbishment scheme) liabilities are now recognised when they fall due rather than on award. In the year to 31 March 2009, the previous policy would have required the accrual of £9.97m of additional grants payable. The relevant adjustment to the results of the year ended 31 March 2008 is given in note 29.

### **2) Grants receivable**

As a consequence of the policy of accruing in full in the year of award for certain types of multi-year grants payable, in 2007/08 the Society accrued matching income (both PGA and from other sources). This has now been restated in keeping with the revision to the policy on recognition of multi-year grants payable. In the year to 31 March 2009, the previous policy would have required the accrual of £6.17m of additional grants receivable. The relevant adjustment to the results of the year ended 31 March 2008 is given in note 29.

### **3) Deferred income**

In previous years, some grants were received which were time-related and, where the related expenditure spanned a year end, were recognised in full in the year of receipt and any unspent balance was accounted for as funds carried forward. In future, the income in respect of these time-related grants will be recognised in the years in which it is receivable and any future income will be deferred in line with the grant conditions. In the year to 31 March 2009, the old policy would have led to a greater recognition of income in the year, though this has not been quantified as it is not likely to be material. The relevant adjustment to the results of the year ended 31 March 2008 is given in note 29.

### **4) Reclassification of trading expenditure**

The costs associated with our primary purpose trading operations of publishing and lettings in furtherance of objectives have been reclassified as Charitable Activities under the "Invest" and "Inspire" goals respectively. The 2007/08 accounts originally presented these as Costs of Generating Funds on the face of the SOFA.

# Notes to the Financial Statements

For the year ended 31 March 2009

## 1. Grants for activities

	Unrestricted Funds £'000	Restricted Funds £'000	Expendable Endowment Funds £'000	Permanent Endowment Funds £'000	2009 Total Funds £'000	Restated 2008 Total Funds £'000
<b>From Government and other public bodies</b>						
Administration of the Parliamentary Grant	1,885	-	-	-	1,885	1,944
Rent and External Maintenance	495	-	-	-	495	490
Contribution to charitable activities	-	40,942	-	-	40,942	38,795
<b>From other external bodies</b>						
Administration	-	-	-	-	-	76
Contribution to charitable activities	9	7,023	-	-	7,032	3,912
<b>Total</b>	2,389	47,965	-	-	50,354	45,217

Details of the income and movement of individual funds are disclosed in note 23.

## 2. Voluntary income

	Unrestricted Funds £'000	Restricted Funds £'000	Expendable Endowment Funds £'000	Permanent Endowment Funds £'000	2009 Total Funds £'000	Restated 2008 Total Funds £'000
Gifts, Donations and Legacies	7,475	992	-	9,783	18,250	9,246
Fellows Contributions	184	-	-	-	184	225
<b>Total</b>	7,659	992	-	9,783	18,434	9,471

## 3. Investment income

	Unrestricted Funds £'000	Restricted Funds £'000	Expendable Endowment Funds £'000	Permanent Endowment Funds £'000	2009 Total Funds £'000	Restated 2008 Total Funds £'000
Dividends and short-term deposit interest	1,405	3,270	-	-	4,675	3,511
Bank deposit interest	12	-	-	-	12	74
Other gains and loan interest	-	-	-	-	-	67
<b>Total</b>	1,417	3,270	-	-	4,687	3,652

# Notes to the Financial Statements

For the year ended 31 March 2009

## 4. Trading in furtherance of charitable activities

	Gross Income £'000	Expenditure £'000	2009 Net Surplus £'000	Reclassified		2008 Net Surplus £'000
				Gross Income £'000	Expenditure £'000	
Publishing	3,963	2,498	1,465	2,916	2,202	714
Lettings in furtherance of objectives	2,579	1,874	705	2,548	1,826	722
Other	100	-	100	47	-	47
<b>Total</b>	<b>6,642</b>	<b>4,372</b>	<b>2,270</b>	<b>5,511</b>	<b>4,028</b>	<b>1,483</b>

All of the Society's trading activities are carried out within its prime charitable purposes. The costs of the Society's publishing operation are included as part of the "Invest" goal on the face of the SOFA, whilst the costs associated with the lettings operations are included in the "Inspire" goal.

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

## 5. Analysis of costs of generating funds

	Staff and Operating Costs £'000 (Note 8)	Grants & Direct Costs £'000	2009 Total £'000	2008 Total £'000
Costs of generating grants and voluntary income	421	123	544	616
Investment management costs	-	304	304	300
<b>Total</b>	<b>421</b>	<b>427</b>	<b>848</b>	<b>916</b>

## 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	2009 Total £'000	Restated 2008 Total £'000
<b>Charitable activities</b>					
Invest in future scientific leaders and in innovation	1,608	433	41,694	43,735	38,599
Influence policymaking with the best scientific advice	1,003	617	195	1,815	2,283
Invigorate science and mathematics education	757	466	528	1,751	1,247
Increase access to the best science internationally	955	587	7,724	9,266	9,537
Inspire an interest in the joy, wonder and excitement of scientific discovery	1,376	744	3,085	5,205	4,826
Other	-	-	-	-	405
<b>Total for costs of charitable activities</b>	<b>5,699</b>	<b>2,847</b>	<b>53,226</b>	<b>61,772</b>	<b>56,897</b>
<b>Total for costs of Governance (Note 11)</b>					
	208	-	391	599	688

# Notes to the Financial Statements

For the year ended 31 March 2009

## 7. Support costs

	Staff and Operating Costs £'000 (Note 8)	Other Direct Costs £'000	2009 Total £'000	2008 Total £'000
Press and Public Relations	719	96	815	595
Finance, Information Technology and Human Resources	964	-	964	1,022
House and Office Services	340	-	340	441
Corporate Management	728	-	728	865
<b>Total</b>	2,751	96	2,847	2,923

## 8. Staff and operating costs

	Staff Costs £'000 (Note 9)	Operating Costs £'000 (Note 10)	2009 Total £'000	2008 Total £'000
Cost of generating funds	263	158	421	418
Charitable activities	3,961	1,738	5,699	4,788
Support costs	1,718	1,033	2,751	2,796
Governance	130	78	208	185
<b>Total</b>	6,072	3,007	9,079	8,187

## 9. Staff costs

	2009 Total £'000	2008 Total £'000
Salaries	4,860	4,178
Social Security costs	420	412
Death in service, Payroll and Pension Scheme administration costs	148	122
Pension costs	644	634
<b>Total</b>	6,072	5,346
	2009 £'000	2008 £'000
<b>Analysis of pension costs:</b>		
Current service cost (excluding death in service)	623	693
Expected return on the assets	(1,051)	(1,062)
Interest costs	1,072	1,003
<b>Total</b>	644	634
	2009	2008
<i>Number of employees earning £60,000 pa or more:</i>		
£60,001 - £70,000	-	3
£70,001 - £80,000	2	3
£80,001 - £90,000	2	-
£90,001 - £100,000	1	-
£100,001 - £110,000	-	-
£110,001 - £120,000	-	1
£120,001 - £130,000	2	-
£140,001 - £150,000	-	1
£150,001 - £160,000	1	-

Of the eight employees above, seven are accruing benefits under a defined benefits Pension Scheme.

# Notes to the Financial Statements

For the year ended 31 March 2009

## 9. Staff costs (continued)

	2009	2008
The average number of employees, analysed by function was:		
Generating Funds	7	8
Charitable activities	92	90
Support & Governance	36	34
<b>Total</b>	<b>135</b>	132

## 10. Operating costs

	2009 Total £'000	2008 Total £'000
Temporary staff	81	180
Staff recruitment, training and welfare	268	576
Establishment costs	1,748	993
Maintenance	218	373
Office services	295	381
Information technology	200	295
Professional fees	197	43
<b>Total</b>	<b>3,007</b>	2,841

## 11. Governance direct costs comprise

	2009 Total £'000	2008 Total £'000
Fellowship costs	193	265
Council and committee expenses	106	102
Auditor's remuneration:		
– Audit fee	36	29
– Non audit services	2	4
Internal audit	26	51
Legal fees	28	52
<b>Total</b>	<b>391</b>	503

## 12. Payments to trustees

	2009 Total £'000	2008 Total £'000
Remuneration	Nil	Nil
Expenses:		
Travel and subsistence	40	45

Expenses were reimbursed to 25 Trustees (2008 – 24 Trustees)

### Indemnity Insurance

With the consent of the Charity Commission the Society has taken out Trustees' indemnity insurance. The cost of their insurance for the year was £3k (2008 – £3k). No claims have been made under this policy.

# Notes to the Financial Statements

For the year ended 31 March 2009

## 12. Payments to trustees (continued)

### Grants and Awards

Professor Carol Robinson is a holder of a Royal Society Research Professorship. The amount paid to the University of Cambridge, in respect of the award, in the year was £132,561.

Professor Frances Ashcroft is a holder of the GlaxoSmithKline Research Professorship. The amount paid to Oxford University, in respect of the award, in the year was £132,561.

Professor David Baulcombe is a holder of a Royal Society Research Professorship. The amount paid to the University of Cambridge, in respect of the award, in the year was £201,873.

## 13. Gross transfers between funds

	Unrestricted Funds £'000	Restricted Funds £'000	Expendable Endowment Funds £'000	Permanent Endowment Funds £'000	2009 Total Funds £'000	2008 Total Funds £'000
Fund administration charges for support of charitable activities	758	(758)	-	-	-	-
Support of charitable activities	913	584	(1,497)	-	-	-
<b>Gross transfers between funds</b>	1,671	(174)	(1,497)	-	-	-
Reclassification of funds	(7,214)	(27,031)	34,245	-	-	-
Transfers of uncommitted income to General Purposes Funds	-	-	-	-	-	-
<b>Total</b>	(5,543)	(27,205)	32,748	-	-	-

The transfer relating to the reclassification of funds refers to the creation in year of the four new trusts under the Charity Commission Scheme. Details of this can be found in notes 22 and 23.

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

Under the terms of its Financial Memorandum with the Department of 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.

	2009 Total £'000	Restated 2008 Total £'000
<b>Non Parliamentary Grant</b>		
Income	36,697	23,379
Expenditure	(18,745)	(20,677)
<b>Total</b>	17,952	2,702

# Notes to the Financial Statements

For the year ended 31 March 2009

## 15. Tangible fixed assets

	Leasehold improvements £'000	Computers and other equipment £'000	Assets under Construction £'000	2009 Total £'000	2008 Total £'000
<b>Cost:</b>					
At 1 April 2008	13,851	3,582	-	17,433	16,832
Additions	1,800	84	7,473	9,357	600
Disposals	(533)	(312)	-	(845)	-
<b>At 31 March 2009</b>	<b>15,118</b>	<b>3,354</b>	<b>7,473</b>	<b>25,945</b>	<b>17,432</b>
<b>Depreciation:</b>					
At 1 April 2008	2,579	2,211	-	4,790	3,940
Charge for year	612	396	-	1,008	850
Disposals	(340)	(299)	-	(639)	-
<b>At 31 March 2009</b>	<b>2,851</b>	<b>2,308</b>	<b>-</b>	<b>5,159</b>	<b>4,790</b>
<b>Net book value at 31 March 2009</b>	<b>12,267</b>	<b>1,046</b>	<b>7,473</b>	<b>20,786</b>	<b>12,642</b>
<b>Net book value at 31 March 2008</b>	<b>11,272</b>	<b>1,370</b>	<b>-</b>	<b>12,642</b>	

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

The assets under construction relate to the purchase and refurbishment of Chicheley Hall. This is intended to be ready for use in Summer 2010.

## 16. Capital commitments

	2009 Total £'000	2008 Total £'000
Authorised but not contracted for	9,000	1,500

At the balance sheet date, a further spend of up to £9m had been authorised by Council for the refurbishment of Chicheley Hall in order to bring it into use as a Centre for the Advancement of Science. No contracts for this expenditure had been signed before the year end.

## 17. Heritage assets

	2009 Total £'000	2008 Total £'000
Valuation or cost at 1 April 2008	47,021	47,021
Additions at cost	2	-
<b>Valuation or cost at 31 March 2009</b>	<b>47,023</b>	<b>47,021</b>
<b>The heritage assets comprise:</b>		
Printed books	13,233	13,233
Archives	22,706	22,706
Pictures, sculptures and other works of Art	8,092	8,092
Other artefacts	2,992	2,990
<b>Total</b>	<b>47,023</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 2009

## 18. Investments

	2009 Total £'000	2008 Total £'000
Valuation at 1 April 2008	142,396	94,887
Additions	58,423	95,241
Disposal proceeds	(43,074)	(42,285)
Investment management costs	(304)	(300)
(Losses) / gains on valuation at 31 March 2009	(28,988)	(5,147)
<b>Valuation at 31 March 2009</b>	<b>128,453</b>	142,396

	2009 Total £'000	2008 Total £'000
<b>The valuation at 31 March 2009 comprises:</b>		
Investments listed on a recognised stock exchange including investments and unit trusts:		
UK	96,530	79,595
Overseas	11,804	24,261
<b>Other Unlisted Securities:</b>		
UK	1,470	747
Overseas	3,984	655
<b>Cash:</b>		
UK	12,762	37,029
Overseas	1,903	109
<b>Total</b>	<b>128,453</b>	142,396

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

At 31 March 2009 the following UK equity investments exceeded 5% by value of the invested portfolio.

	2009 %	2008 %
Landsdowne UK Equity Fund limited Sterling shares	9.0	7.9

The Society owns 100% of the issued share capital of Carlton House Terrace Developments Limited (note 26).

The principal activity of the company is the redevelopment of 6-9 Carlton House Terrace. This property is occupied by the Society.

The Society owns 100% of the issued share capital of The Royal Society Enterprise Fund Limited (note 26).

The principal activity of the company is providing advice to the Society in its application of the Enterprise Fund.

	2009 Total £'000	2008 Total £'000
<b>Funds are invested:</b>		
Trust & Specific Purposes Specific investments	-	3,580
Pooled investments	128,453	138,816
<b>Total</b>	<b>128,453</b>	142,396

# Notes to the Financial Statements

For the year ended 31 March 2009

## 19. Debtors

	2009 Receivable within one year £'000	2009 Receivable after one year £'000	Restated 2008 Receivable within one year £'000	Restated 2008 Receivable after one year £'000
Trade debtors	1,194	-	1,146	-
Grants receivable	700	4,802	232	1,004
Legacy receivable	1,140	-	155	-
Other debtors	75	-	45	-
Prepayments and accrued income	1,089	-	2,868	-
<b>Total</b>	<b>4,198</b>	<b>4,802</b>	<b>4,446</b>	<b>1,004</b>

## 20. Creditors

	2009 Due within one year £'000	2009 Due after one year £'000	Restated 2008 Due within one year £'000	Restated 2008 Due after one year £'000
Publications advanced sales	2,613	-	2,059	-
Grants payable	444	-	526	-
Other creditors	1,658	83	1,542	-
Bank Loan	-	7,000	-	-
Accruals & deferred income	6,689	-	6,579	-
<b>Total</b>	<b>11,404</b>	<b>7,083</b>	<b>10,706</b>	<b>-</b>

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

## 21. Analysis of net assets between funds

	Unrestricted Funds £'000	Restricted Funds £'000	Expendable Endowment Funds £'000	Permanent Endowment Funds £'000	2009 Total Funds £'000	Restated 2008 Total Funds £'000
Funds' balances at 31 March 2009 are represented by:						
Tangible fixed assets	20,786	-	-	-	20,786	12,642
Heritage assets	47,023	-	-	-	47,023	47,021
Investments	18,474	8,453	31,990	69,536	128,453	142,396
Net Current liabilities	(626)	-	-	-	(626)	(1,782)
Creditors: Due after one year	(7,083)	-	-	-	(7,083)	-
Defined benefit pension scheme liability	(2,854)	-	-	-	(2,854)	(156)
<b>Net assets</b>	<b>75,720</b>	<b>8,453</b>	<b>31,990</b>	<b>69,536</b>	<b>185,699</b>	<b>200,121</b>

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

# Notes to the Financial Statements

For the year ended 31 March 2009

## 22. Trust and Specific Purposes Funds – at 31 March 2009

### Reconciliation of opening balances on Trust and Specific Funds

On 3 December 2008 the Charity Commission approved a Scheme to consolidate 125 trust funds administered by the Society into four new trust funds; the General, Life Sciences, Mathematics and Physical Sciences and the International Funds. For administrative ease and clarity of information, the Society has chosen to present these funds as being in existence from 1 April 2008, along with a reconciliation of the opening balances (restated) between the previous presentation of Trust and Specific Funds and the new Trust Funds after the Scheme was enacted.

	Invest £'000	Influence £'000	Invigorate £'000	Increase £'000	Inspire £'000	Other £'000	Restated Total £'000
<b>PERMANENT ENDOWMENT FUNDS</b>							
General Fund	4,138	-	-	-	229	567	<b>4,934</b>
International Fund	-	-	-	-	-	510	<b>510</b>
Life Sciences Fund	13,901	-	-	-	102	36	<b>14,039</b>
Mathematics and Physical Sciences Fund	7,206	-	-	72	996	396	<b>8,670</b>
Project Funds	-	-	-	-	-	5	<b>5</b>
Theo Murphy Fund	44,347	-	-	-	-	2,958	<b>47,305</b>
<b>Total</b>	<b>69,592</b>	<b>-</b>	<b>-</b>	<b>72</b>	<b>1,327</b>	<b>4,472</b>	<b>75,463</b>
<b>RESTRICTED FUNDS</b>							
Enterprise Fund	-	-	-	-	-	1,993	<b>1,993</b>
General Fund	5,428	2,526	-	30	1,167	163	<b>9,314</b>
International Fund	-	-	-	1,195	-	-	<b>1,195</b>
Life Sciences Fund	9,647	-	-	-	120	14	<b>9,781</b>
Mathematics and Physical Sciences Fund	7,975	-	-	2	1,579	24	<b>9,580</b>
Project Funds	7	42	94	562	453	2,705	<b>3,863</b>
Theo Murphy Fund	644	-	-	-	-	(56)	<b>588</b>
PGA	1,143	(6)	(53)	137	130	-	<b>1,351</b>
<b>Total</b>	<b>24,844</b>	<b>2,562</b>	<b>41</b>	<b>1,926</b>	<b>3,449</b>	<b>4,843</b>	<b>37,665</b>
<b>OTHER UNRESTRICTED FUNDS</b>							
Enterprise Fund	-	-	-	-	-	128	<b>128</b>
General Fund	-	-	-	-	-	9,585	<b>9,585</b>
Mathematics and Physical Sciences Fund	-	-	-	-	-	8	<b>8</b>
Project Funds	-	-	-	-	-	3,162	<b>3,162</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,883</b>	<b>12,883</b>

This note reflects current accounting policies and includes an appropriate prior year adjustment of £4.04m (see note 29).

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

# Notes to the Financial Statements

For the year ended 31 March 2009

## 22. Trust and Specific Purposes Funds – at 31 March 2009 (continued)

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

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

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

Each of these funds were composed of three parts; permanently endowed funds, expendably endowed funds and income funds, as shown in note 23. The transfer into the expendable endowment funds is at the total, non permanently-endowed, value of the 125 trust funds at 3 December 2008 when the scheme was approved.

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

	Restated B/Fwd @ 01/04/08 £'000	Income £'000	Expenditure £'000	Transfers on creation of new trusts £'000	Admin/ Support Transfers £'000	Investment Gain/(loss) £'000	C/Fwd @ 31/03/09 £'000
<b>PERMANENT ENDOWMENT FUNDS</b>							
Enterprise Fund	-	-	-	-	-	-	-
General Fund	4,934	-	-	-	-	(887)	<b>4,047</b>
International Fund	510	515	-	-	-	(184)	<b>841</b>
Life Sciences Fund	14,039	-	-	-	-	(2,525)	<b>11,514</b>
Mathematics and Physical Sciences Fund	8,670	-	-	-	-	(1,560)	<b>7,110</b>
RW Paul Instrument Fund	-	9,177	-	-	-	(1,588)	<b>7,589</b>
Project Funds	5	-	-	-	-	-	<b>5</b>
Theo Murphy Fund	47,305	217	-	-	-	(9,092)	<b>38,430</b>
<b>Total Permanent Endowment Funds</b>	<b>75,463</b>	<b>9,909</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15,836)</b>	<b>69,536</b>
<b>EXPENDABLE ENDOWMENT FUNDS</b>							
General Fund	-	-	-	16,571	(586)	(388)	<b>15,597</b>
International Fund	-	-	-	1,026	(44)	(17)	<b>965</b>
Life Sciences Fund	-	-	-	8,385	(432)	(183)	<b>7,770</b>
Mathematics and Physical Sciences Fund	-	-	-	8,263	(435)	(170)	<b>7,658</b>
<b>Total Expendable Endowment Funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,245</b>	<b>(1,497)</b>	<b>(758)</b>	<b>31,990</b>

# Notes to the Financial Statements

For the year ended 31 March 2009

## 23. Movements on Trust and Specific Funds in year (continued)

	Restated B/Fwd @ 01/04/08 £'000	Income £'000	Expenditure £'000	Transfers on creation of new trusts £'000	Admin/ Support Transfers £'000	Investment Gain/(loss) £'000	C/Fwd @ 31/03/09 £'000
<b>RESTRICTED FUNDS</b>							
Enterprise Fund	1,993	875	(174)	-	118	(486)	<b>2,326</b>
General Fund	9,314	-	-	(9,365)	51	-	-
International Fund	1,195	58	(29)	(1,026)	4	(202)	-
Life Sciences Fund	9,781	670	(592)	(8,385)	72	(1,546)	-
Mathematics and Physical Sciences Fund	9,580	503	(219)	(8,255)	(75)	(1,534)	-
RW Paul Instrument Fund	-	356	(298)	-	(24)	(18)	<b>16</b>
Project Funds							
– Wolfson Lab Refurbishment	-	3,077	(3,057)	-	(20)	-	-
– Wolfson Merit Awards	-	867	(943)	-	76	-	-
– Other	1,189	3,120	(2,431)	-	37	(60)	<b>1,855</b>
Deferred refurbishment funds	2,674	-	-	-	(170)	-	<b>2,504</b>
Theo Murphy Fund	588	1,757	(603)	-	(243)	(301)	<b>1,198</b>
PGA	1,351	40,944	(41,741)	-	-	-	<b>554</b>
<b>Total Restricted Funds</b>	<b>37,665</b>	<b>52,227</b>	<b>(50,087)</b>	<b>(27,031)</b>	<b>(174)</b>	<b>(4,147)</b>	<b>8,453</b>
<b>UNRESTRICTED FUNDS</b>							
Enterprise Fund	128	-	-	-	(128)	-	-
General Fund	9,585	843	(577)	(7,206)	159	(2,804)	-
Mathematics and Physical Sciences Fund	8	-	-	(8)	-	-	-
Deferred refurbishment funds	3,162	35	(29)	-	(271)	-	<b>2,897</b>
PGA	-	2,380	(2,380)	-	-	-	-
Revaluation Reserve	46,036	-	-	-	-	-	<b>46,036</b>
General Purposes	28,074	14,980	(10,146)	-	1,911	(8,032)	<b>26,787</b>
<b>Total Unrestricted Funds</b>	<b>86,993</b>	<b>18,238</b>	<b>(13,132)</b>	<b>(7,214)</b>	<b>1,671</b>	<b>(10,836)</b>	<b>75,720</b>
<b>TOTAL FOR ALL TRUSTS</b>							
Enterprise Fund	2,121	875	(174)	-	(10)	(486)	<b>2,326</b>
General Fund	23,833	843	(577)	-	(376)	(4,079)	<b>19,644</b>
International Fund	1,705	573	(29)	-	(40)	(403)	<b>1,806</b>
Life Sciences Fund	23,820	670	(592)	-	(360)	(4,254)	<b>19,284</b>
Mathematics and Physical Sciences Fund	18,258	503	(219)	-	(510)	(3,264)	<b>14,768</b>
RW Paul Instrument Fund	-	9,533	(298)	-	(24)	(1,606)	<b>7,605</b>
Project Funds							
– Wolfson Lab Refurbishment	-	3,077	(3,057)	-	(20)	-	-
– Wolfson Merit Awards	-	867	(943)	-	76	-	-
– Other	1,194	7,064	(6,431)	-	93	(60)	<b>1,860</b>
Deferred refurbishment funds	5,836	35	(29)	-	(441)	-	<b>5,401</b>
Theo Murphy Fund	47,893	1,974	(603)	-	(243)	(9,393)	<b>39,628</b>
PGA	1,351	43,324	(44,121)	-	-	-	<b>554</b>
Revaluation Reserve	46,036	-	-	-	-	-	<b>46,036</b>
General Purposes	28,074	14,980	(10,146)	-	1,911	(8,032)	<b>26,787</b>
<b>Total</b>	<b>200,121</b>	<b>84,318</b>	<b>(67,219)</b>	<b>-</b>	<b>56</b>	<b>(31,577)</b>	<b>185,699</b>

# Notes to the Financial Statements

For the year ended 31 March 2009

## 23. Movements on Trust and Specific Funds in year (*continued*)

The objects of the General, Life Sciences, Mathematics and Physical Sciences and International Funds are detailed in note 22.

Following the Deed of retirement of the other trustees the property and investments of the RW Paul Instrument Fund were transferred to the sole remaining trustee being the Royal Society in year. The investment portfolio held was valued at £9.26m at the date of transfer of which £9.177m was permanently endowed. The application of the balance of the transfer plus any income from the portfolio is restricted to the provision of grants under the Paul Instrument Grants Scheme.

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

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

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

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

## 24. Financial commitments

At 31 March 2009 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 (2008 – £495k) per annum. The next rent review will be on 5 January 2025.
- agreements and commitments to fund research professorships/fellowships and other grants totalling £56m (2008 – £67m). Of these, £35.5m are due in less than one year, and £20m in between two and five years. There is a further £0.6m payable in more than five years. All of these grants are treated as liabilities of future periods to which they are time related and will be financed by specific grants or other income receivable in those periods.
- the Society has entered into investment contract commitments totalling £7.2m (2008 – £7.5m) payable at dates yet to be agreed.

## 25. Pension obligations

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

The FRS 17 liability does not include any allowance for discretionary benefits. The Employer expects to make contributions to the Scheme during the year to 31 March 2010 of £535,000.

Contributions payable by the Society during the year were at the rate of 16% of pensionable salaries. Members contributions were 7%. An additional contribution of £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.

# Notes to the Financial Statements

For the year ended 31 March 2009

## 25. Pension obligations (continued)

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

The principal assumptions used to calculate Scheme liabilities include:

	2009 %	2008 %
Inflation	3.20	3.70
Salary escalation	5.20	5.70
Increase to pensions in payment*		
– subject to LPI minimum 4%	4.10	4.20
– subject to LPI	3.20	3.60
Discount rate (pre-and-post-retirement)	6.80	6.50
Pre-retirement mortality table	A92	A92
Post-retirement mortality table	PA92	PA92
Post-retirement mortality projection	Medium Cohort based on Individual Year of Birth	Medium Cohort based on Individual Year of Birth
Tax free cash	0%	0%
Withdrawals	None	None

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

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

	2009	2008
Male currently aged 40	28.0 years	27.9 years
Female currently aged 40	30.8 years	30.7 years
Male currently aged 60	26.8 years	26.8 years
Female currently aged 60	29.8 years	29.7 years
	Long Term rate of return expected at 31 March 09*	Long Term rate of return expected at 31 March 08
Scheme's assets	5.2%	6.4%

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

### Assets

An approximate summary of the asset allocation is as follows:

	2009 %	2008 %
Equities	42.3%	80.2%
Property	0.0%	1.0%
Bonds	14.9%	9.4%
Cash	42.5%	9.4%
Other	0.3%	0.0%

The actual return on the Scheme's assets net of expenses over the year to the Review Date was approximately -22%. The assets do not include any investment in shares of the Employer.

# Notes to the Financial Statements

For the year ended 31 March 2009

## 25. Pension obligations (continued)

Amounts recognised in the Balance Sheet at 31 March 2009

	Value at 31 March 2009 £'000
Fair value of assets	12,920
Present value of funded obligations	(15,774)
<b>Scheme Surplus/(Deficit)</b>	<b>(2,854)</b>

Amounts disclosed on the Balance Sheet are made up of:

	Value at 31 March 2009 £'000
<b>LIABILITIES</b>	
– Present value of funded obligations	15,774
– Present value of unfunded obligations	Nil
– Unrecognised past service costs	Nil
– Other liabilities	Nil
<b>ASSETS</b>	
– Fair value of assets	12,920
– Asset not recognised due to limit on recognisable surplus	Nil
<b>Net Liability</b>	<b>2,854</b>

Assets recognised in the Statement of Total Recognised Gains and Losses

	Value at 31 March 2009 £'000
Actuarial gains and losses	(2,589)
Effect of limit on recognisable surplus	Nil
<b>Total</b>	<b>(2,589)</b>

Amount recognised in the Profit and Loss Account

	Value at 31 March 2009 £'000
Current service cost	(623)
Interest cost	(1,072)
Expected return on assets	1,051
(Gain)/losses on settlements or curtailments	Nil
Past service cost	Nil
Effect of limit on recognisable surplus	Nil
<b>Total</b>	<b>(644)</b>



# Notes to the Financial Statements

For the year ended 31 March 2009

## 25. Pension obligations (continued)

### Reconciliation of Assets and Defined Benefit Obligation

The change in assets over the period was:

	Value at 31 March 2009 £'000
Fair value of assets at the beginning of the period	16,321
Expected return on assets	1,051
Contributions by the employer	535
Contributions by Scheme participants	229
Benefits paid	(601)
Actuarial gain/(loss) on assets only	(4,615)
Change due to settlements or curtailments	Nil
<b>Fair value of assets at the end of the period</b>	<b>12,920</b>
Actual return on assets	(3,563)

The change in defined benefit obligation over the period was:

	Value at 31 March 2009 £'000
Defined benefit obligation at the beginning of the period	16,477
Current service cost	623
Contributions by Scheme participants	229
Past service cost	Nil
Interest cost	1,072
Benefits paid	(601)
Actuarial (gain)/loss) (excluding the actuarial gain/(loss) on assets)	(2,026)
Change due to settlements or curtailments	Nil
<b>Defined benefit obligation at the end of the period</b>	<b>15,774</b>

### Summary of Prior Year Amounts

Period to	31/3/09 £'000	31/3/08 £'000	31/3/07 £'000	31/3/06 £'000	31/3/05 £'000
Present value of defined benefit obligation	15,774	16,477	18,793	17,920	14,790
Scheme assets	12,920	16,321	15,621	13,560	8,270
Scheme (deficit)	(2,854)	(156)	(3,172)	(4,360)	(6,520)
Experience gains and losses on Scheme liabilities	(132)	(99)	778	(50)	(20)
Experience adjustments on Scheme assets	(4,615)	(1,370)	(365)	1,550	250

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

# Notes to the Financial Statements

For the year ended 31 March 2009

## 26. Subsidiary undertaking (continued)

Results of the Royal Society Enterprise Fund Limited Period Ended 31 March 2009:

	2009 £'000
Trading income	298
Cost of sales	(298)
<b>Result for the period</b>	-
Total funds brought forward at 1 April 2008	1
<b>Total funds carried forward at 31 March 2009</b>	1

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

	2009 £'000	2008 £'000
<b>RESTRICTED FUNDS</b>		
<b>Incoming resources:</b>		
Dividends and interest	57	47
<b>Resources expended:</b>		
Charitable grants to the Royal Society	(57)	(47)
	-	-
<b>PERMANENT ENDOWMENT FUNDS</b>		
Total funds brought forward at 1 April 2008	816	1,021
<b>Total funds carried forward at 31 March 2009</b>	816	1,021

## 28. Other funds

	2009 Investment Market Value £'000	2008 Investment Market Value £'000
The Society is the beneficiary of the following funds:		
<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.	336	434
<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

## 29. Prior Year Adjustments

	2008 £'000	2007 £'000
<b>Total funds brought forward per published accounts</b>	204,160	194,452
Restatement of grants payable	8,409	7,196
Restatement of grants receivable	(5,840)	-
Restatement of deferral of grant income	(6,608)	(4,897)
<b>Total restatement</b>	(4,039)	2,299
<b>Total funds brought forward – restated</b>	200,121	196,751

The details of these prior year adjustments can be found in the accounting policies.

# Parliamentary Grant-in-Aid

## Independent Auditors' Report to the Secretary of State for the Department of Business, Innovation and Skills (BIS) on the accounts of the Parliamentary Grant-in-Aid Programme of the Royal Society

For the year ended 31 March 2009

We have audited the accounts on pages 34-36, 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 2009 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  
2 July 2009

# Parliamentary Grant-in-Aid

## Summary of income & expenditure

For the year ending 31 March 2009

	Invest £'000	Influence £'000	Invigorate £'000	Increase £'000	Inspire £'000	Support and Central Expenses £'000	2009 Total £'000	Restated 2008 Total £'000
<b>PARLIAMENTARY GRANT-IN-AID</b>								
<b>Income:</b>								
Department of Innovation, Universities and Skills grant received in year	33,257	-	290	7,137	300	2,380	<b>43,364</b>	41,072
Transfer (from) / to prior years	-	-	-	(40)	-	-	<b>(40)</b>	-
(Outstanding) / Prepaid in year	-	-	-	-	-	-	-	155
Refunds	105	-	-	248	-	-	<b>353</b>	441
	33,362	-	290	7,345	300	2,380	<b>43,677</b>	41,668
<b>Expenditure:</b>								
<b>Grant and activity costs</b>								
(Outstanding) / prepaid 1 April 2008	1,351	-	-	-	-	-	<b>1,351</b>	(2,052)
Out-turn for the year	33,525	-	241	7,261	270	2,380	<b>43,677</b>	41,668
(Outstanding) / prepaid 1 April 2009	(554)	-	-	-	-	-	<b>(554)</b>	(1,351)
	34,322	-	241	7,261	270	2,380	<b>44,474</b>	38,265
	(960)	-	49	84	30	-	<b>(797)</b>	3,403
<b>Deposit interest:</b>								
Interest receivable							<b>182</b>	149
Surrenderable to the Department of Innovation, Universities and Skills							<b>(182)</b>	(149)
							-	-
<b>Surplus of income over expenditure</b>								
Surplus / (deficit) for the year							<b>(797)</b>	3,403
Balance as at 31 March 2008							<b>1,351</b>	(2,052)
<b>BALANCE as at 31 March 2009</b>							<b>554</b>	<b>1,351</b>
<b>Represented by:</b>								
Grants partly prepaid							<b>554</b>	1,351
Balance at bank							<b>94</b>	652
							<b>648</b>	2,003
Grants due for payment within one year							-	(234)
Other Creditors							-	(362)
Amount repayable to the Department of Innovation, Universities and Skills							<b>(94)</b>	(56)
							<b>554</b>	<b>1,351</b>

# Parliamentary Grant-in-Aid

## Summary of income & expenditure

For the year ending 31 March 2009

	Parliamentary Grant-in-Aid Received £'000	Refunds £'000	Grants & Subscriptions £'000
<b>Invest in future scientific leaders and in innovation</b>			
Research Professors	1,586	13	1,630
University Research Fellows	19,439	68	19,619
Dorothy Hodgkin Fellows	2,922	2	2,780
Japan 2+2 Fellows	-	-	-
Diversity	30	-	16
Industry Fellows	515	-	516
Research Support	4,160	-	4,378
Research Merit Awards	2,000	-	2,002
Innovation Awards	250	-	339
Rosalind Franklin Award	40	-	41
Relocation Fellowship Grants	179	6	189
Research Grants	2,136	16	2,812
	<b>33,257</b>	<b>105</b>	<b>34,322</b>
<b>Influence policymaking with the best scientific advice</b>			
Science Policy	-	-	-
	-	-	-
<b>Invigorate science and mathematics education</b>			
Education Policy Advice	100	-	39
Education Grants	100	-	108
Education Events/ Resources for Schools	50	-	54
Education External Activities	40	-	40
	<b>290</b>	<b>-</b>	<b>241</b>
<b>Increase access to the best science internationally</b>			
New Frontiers	30	-	43
International Activities	66	-	129
International Networking	150	-	127
International Seismological Centre	70	-	69
Travel Grants	1,740	87	1,536
Joint Projects	1,650	108	2,023
International Fellowships	2,554	45	2,310
Science in Africa	200	8	192
RS Research Projects	67	-	60
International Subscriptions	400	-	562
International Meetings in UK	210	-	210
	<b>7,137</b>	<b>248</b>	<b>7,261</b>

# Parliamentary Grant-in-Aid

## Summary of income & expenditure

For the year ending 31 March 2009

	Parliamentary Grant-in-Aid Received £'000	Refunds £'000	Grants & Subscriptions £'000
<b>Inspire an interest in the joy, wonder and excitement of scientific discovery</b>			
History of Science Projects	-	-	-
Medals, Lectures and Awards	100	-	100
Summer Science Exhibition	115	-	115
Training for Scientists	25	-	25
Adhoc Activities	60	-	30
	<b>300</b>	<b>-</b>	<b>270</b>
<b>Support and Central Expenses</b>			
Rent	495	-	495
Operating Costs	1,885	-	1,885
	<b>2,380</b>	<b>-</b>	<b>2,380</b>
<b>TOTAL</b>	<b>43,364</b>	<b>353</b>	<b>44,474</b>

## The Royal Society

The Royal Society is a Fellowship of 1400 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 136 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 priorities:

- **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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