



Trustees' report and financial statements

For the year ended 31 March 2012

THE
ROYAL
SOCIETY

Trustees

The Trustees of the Society are the members of its Council, who are elected by the Fellowship. As laid down in the Society's Royal Charter, 10 of the 21 members of Council retire each year. Council is chaired by the President of the Society. During 2011/12, the members of Council were as follows:

President

Sir Paul Nurse

Foreign Secretary

Professor Lorna Casselton*
Professor Martyn Poliakoff**

Physical Secretary

Professor John Pethica

Biological Secretary

Dame Jean Thomas

Treasurer

Sir Peter Williams

Members of Council

Professor David Barford*
Professor Gillian Bates**
Professor Andrew Blake
Dr Simon Campbell**
Professor Richard Catlow*
Professor Anthony Cheetham
Professor John Collinge**
Professor Peter Donnelly
Dr Matthew Freeman*
Professor Brian Greenwood*
Professor Alexander Halliday**
Professor Andrew Hopper*
Professor Judith Howard**
Dame Louise Johnson*
Dr Robin Lovell-Badge**
Professor John McWhirter
Professor Kim Nasmyth**
Dame Linda Partridge
Professor John Pyle*
Professor Trevor Robbins
Professor Wilson Sibbett
Sir Christopher Snowden**
Professor Nicholas Tonks**
Professor Veronica van Heyningen*
Sir Alan Wilson*

* Member until 30 November 2011

** Member since 30 November 2011

Executive Director

Dr Julie Maxton

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Front cover image: plan of the water-powered engine for the fifth arch of Old London Bridge, by John Smeaton, 1768.

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President's foreword



This report of the Royal Society's activities during the year to 31 March 2012 combines the previous *Review of the year* with a detailed set of financial statements and a description of the governance arrangements under which the Society is run. It thus provides in one place an account of what the Society does and how it is organised.

During the year we initiated the process of securing a Supplemental Charter that will allow Council members to be elected for terms of up to three years instead of the previous one or two. This will enable them to exercise their responsibilities as Trustees more effectively, and will enhance overall governance. This Supplemental Charter is the first to be sought since the original three Charters were granted in the 1660s, and the first to be written in English rather than Latin. In addition, we reconstituted the Finance Committee, strengthened the Audit Committee, established an Advisory Board to support the Society's external relations, and – following a review of how best to deepen engagement of the Fellowship in the work of the Society – established a Nominations Committee to support the process of identifying candidates for key positions in the Society's committee structure. We completed a review of strategy for the next five years, expressing the aspirations of the Society in terms of recognising and supporting excellence in science, providing scientific advice to policy-makers, fostering international cooperation, stimulating public engagement with science, and generally promoting science and its benefits.

The Society's audited accounts for 2011/12 are set out in accordance with legal requirements. The headline figures show total income of £70.8 million and expenditure of £68.2M, as against £71.4 million and £69.9 million respectively for 2010/11 which included additional activity associated with the 350th anniversary celebrations. There has also been a small reduction of 3% in the value of the Society's investments.

The report summarises the range of activities that the Society undertakes to advance its objectives. These reach diverse audiences – both professional research scientists and others interested in science – and illustrate the impact that the Society has in promoting science and the place of science in national life. This impact owes much to the Society's position as an authoritative, independent body at the heart of British science. It equally owes much to the many volunteers, within and beyond the Fellowship, who give their time freely to the Society.

The Society's staff led by the Executive Director play a major role in carrying forward the work of the society, and on behalf of the Trustees I am glad to recognise here their dedication and professionalism.

Trustees' report

Science and the Royal Society

The Royal Society of London for Improving Natural Knowledge, commonly known as the Royal Society, is a self-governing Fellowship of many of the world's most distinguished scientists drawn from all areas of science, engineering, and medicine. The Society's fundamental purpose, reflected in its founding Charters of the 1660s, is to recognise, promote, and support excellence in science and to encourage the development and use of science for the benefit of humanity.

The Society is the national Academy of science in the UK, and its core is its Fellowship and Foreign Membership. The Fellowship comprises the most eminent scientists of the UK, Ireland, and the Commonwealth. Fellows are elected through a peer review process on the basis of their excellence in science. There are approximately 1,350 Fellows and a further 150 Foreign Members, including more than 80 Nobel Laureates. It is from the eminence of its Fellowship and Foreign Membership and its independence from government and particular interests that the authority of the Society in scientific matters derives. Fellows and Foreign Members are invited to fulfil a range of responsibilities for the Society on a voluntary basis. Many others, scientists and non-scientists, also contribute to the work of the Society on a voluntary basis. The Fellowship is supported by a staff based mainly in London.

A major activity of the Society is identifying and supporting the work of outstanding scientists. The Society supports researchers through a range of schemes funded by Government, foundations, trusts, research councils, industrial organisations, gifts, and from the Society's own resources. The Society facilitates interaction and communication among scientists via its discussion meetings and disseminates scientific advances through its journals. The Society also engages beyond the research community, through independent policy work, the promotion of high quality science education, and communication with the public.

The Society thus combines several roles. As a Fellowship of outstanding scientists embracing the entire scientific landscape, the Society recognises scientific excellence and takes a lead in promoting science in the UK, Europe, the Commonwealth,

and the rest of the world. As a Funder, the Society supports the work of outstanding individual scientists at various stages of their careers, primarily in the UK, and also encourages collaborations between UK scientists and scientists throughout the world. As an Academy, the Society provides authoritative and independent advice on scientific matters, including policies that promote excellent science and scientific issues that inform public policy. The Society also represents UK science internationally and advocates the use of science as a medium for improving relations between nations. The Society also works to ensure that science in the UK is funded at a level to allow it to remain at the forefront of development and use of science throughout the 21st century.

Scientific knowledge is a public good, contributing profoundly to human culture and leading to wide economic and social benefits. Science, technology, and innovation are vital to improving health and the quality of life and for economic growth. The Society has played a part in some of the most fundamental, significant, and life-changing discoveries in scientific history, and Royal Society scientists continue to make outstanding contributions to science in many research areas. In recent years these have included graphene, organic light emitting diodes, the World Wide Web, quantum matter and information, magnetic resonance imaging, IVF, monoclonal antibodies, DNA sequencing, genetic fingerprinting, and understanding of the cell cycle. The Society has also developed the use of science for the benefit of humanity, as seen today in its engagement in global challenges such as climate change, energy security, food and water security, biodiversity, poverty, and population growth. These environmental and social pressures alter how people live and the balance of the risks they face, prompting consideration of how a more inter-

dependent world is governed. These are all issues to which science can make major contributions.

The complexity of nature and of society, the desire to explore multidisciplinary and interdisciplinary questions, the need to solve societal problems, the power of new technologies, and social and ethical questions related to scientific discoveries, all point to the increasing importance of connections among natural sciences, engineering, and medicine, and between them and social sciences, arts, and humanities. They also call for international and global cooperation. The Society therefore works in partnerships with other learned societies, industry and the public sector, Government, funders, and others. Some of these partnerships extend beyond the UK, both to parts of the world where science is already well established and to areas where science is currently less well developed.

Strategy

Two major internal undertakings for the Society during the year were a review of the participation of the Fellowship in the affairs of the Society and consideration by the Fellowship, facilitated by the President and the Executive Director, of the Society's strategic priorities for the next five years. These culminated in the adoption by Council in February 2012 of a Strategic Plan for the Society for 2012 to 2017. Its strategic objectives are:

- promoting science and its benefits;
- recognising excellence in science;
- supporting outstanding science;
- providing scientific advice for policy;
- fostering international and global cooperation; and
- education and public engagement.

During the prior five years, the Society's main objectives were summarised under the headings:

- (1) supporting the scientific community;
- (2) advising the policy community;
- (3) engaging the education community;
- (4) collaborating with the international community; and
- (5) inspiring the wider community.

As the Strategic Plan for 2012 to 2017 was adopted only towards the end of 2011/12, information in the Financial Statements is presented under the headings (1) – (5). In preparing this report, the Trustees have had in mind the structure of the Strategic Plan for 2012 to

2017. This report therefore contains references to the headings (1) – (5) under which expenditure is reported in the Statement of Financial Activities (SOFA).

The Strategic Plan for 2012 to 2017 was conceived at a high level to provide an umbrella within which present activities can be pursued and new initiatives started. Detailed planning of initiatives is now underway, involving in particular consideration of priorities, resources, and risks. A central development is a programme of scientific engagement whose main purpose is to ensure that the Fellowship at large has the fullest opportunity to shape the Society's agenda.

Support for scientists

The Society supports researchers through a range of early-career schemes, senior schemes, and industry and innovation schemes. In the year, the Society awarded grants totalling £49.7 million, the expenditure being recorded under 'supporting the scientific community' and 'collaborating with the international community' in the SOFA. Detailed information about grants is available at royalsociety.org/grants. A summary of information about operation of the schemes follows.

University Research Fellowships offer in total up to eight years' support to outstanding scientists who have the potential to become leaders in their field. Forty new awards were made in 2011/12, bringing to 301 the number of those fellows supported during the year. A conference to showcase the work of University Research Fellows attracted 170 attendees. Dorothy Hodgkin Fellowships provide up to five years' support for excellent scientists for whom career flexibility is essential. Six new awards were made in 2011/12 bringing to 60 the total number of those fellows supported during the year. In October 2011, the Royal Society and the Wellcome Trust launched the Sir Henry Dale Fellowship scheme. Its purpose is to enable outstanding post-doctoral biomedical scientists to build independent research careers in the UK. It will be funded jointly by the two bodies, and the first awards will be made in 2012/13. It is envisaged that the scheme will support scientists who might formerly have held a Royal Society University Research Fellowship in the biomedical sciences or a Wellcome Trust Research Career Development Fellowship.

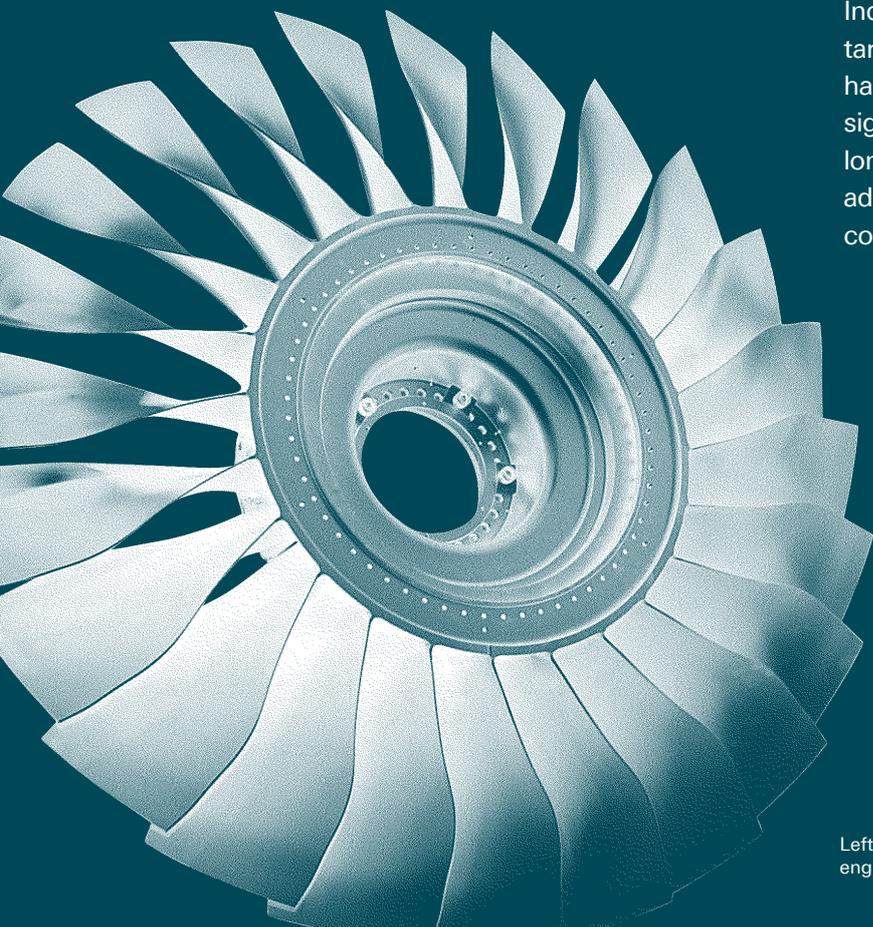
Examples of work by scientists supported by grants made by the Society

Dr John Bower, University Research Fellow,
School of Chemistry, University of Bristol

Forming bonds between carbon and nitrogen atoms is an important process in organic chemistry, producing vital entities such as amino acids and drug components. However, in many instances forming such bonds is not easy. Dr Bower's research goal is to provide new methods, involving metal catalysts, for challenging carbon-nitrogen bond formation that are simple, green, and selective. Once developed, these new methods will allow synthesis of biologically important molecules in a quicker and more efficient manner and may even allow synthesis of molecules that are inaccessible using current methods. Dr Bower said, "My University Research Fellowship has provided me with a unique opportunity to focus on establishing my independent research career. The multiple networking and training opportunities on offer are of high value in developing my academic career."

Professor Dave Rugg, Industry Fellow,
Rolls-Royce Strategic Research and
University of Oxford

Professor Rugg said, "This three-year Fellowship has provided me with the opportunity to spend two days per week in academia, mainly at Oxford University, Manchester University, and Imperial College. It has facilitated academic collaborations investigating the application of advanced research tools in the area of titanium and zirconium metallurgy. The research builds on and is integrated with the research of another Royal Society Industry Fellow, Professor Fionn Dunne of Oxford University, which developed the building blocks of a model to predict the behaviour of metals typical of those used in safety-critical industrial application. The flexibility of the scheme has yielded benefits both for my academic hosts and for industry. Successful collaborations during the Fellowship have resulted in the publication of a significant number of papers and the organisation of several international workshops. Industry has benefitted from the rapid, accurate, and targeted use of state-of-the-art techniques, which has led to tactical engagement of academia in highly significant service issues, which in turn will direct longer-term fundamental research. My research also addressed many long-term strategic needs that are commercially significant to Rolls-Royce."



Left: Rolls-Royce high-value blisk (bladed disk) used mainly in aerospace engine design.

Research Professorships provide in total up to 10 years' support for internationally recognized scientists of outstanding achievement and promise. Fifteen Research Professors were supported during the year. Wolfson Research Merit Awards offer salary enhancements for up to five years with the aim of attracting to or retaining in the UK researchers with great potential or outstanding achievement. Sixty-four awards were made in 2011/12, bringing the total number of scientists supported during the year to 180. Leverhulme Trust Senior Research Fellowships enable academic researchers to focus on research for up to one year by providing funds to relieve them of teaching and administrative duties. Seven awards were made during the year.

Industry Fellowships support transfer of knowledge between academia and industry. Sixteen Fellows were appointed in 2011/12, bringing to 37 the total number supported under the scheme during the year. Brian Mercer Awards provide support for researchers to develop a proven concept or prototype into a commercial product or to investigate the technical and economic feasibility of commercialising their scientific research. The awards are in the areas of the built environment, clean technology and energy, and nanotechnology. The Paul Instrument Fund supports scientists in the UK who want to design and construct a novel instrument to measure phenomena in the physical sciences. Six awards were made during the year.

The Society offers training programmes for its Research Fellows. The Society's Innovation and the Business of Science programme, developed jointly with Imperial College Business School, helps young scientists work effectively with industry and better target their research to relevant markets. Over 60 individuals participated in the programme during the year. The Society's Communication Skills and Media Training courses advised 70 post-doctoral scientists on how to engage with non-specialist audiences. A new programme is being developed to provide researchers early in their careers with advice in writing grant applications and a better understanding of the Society's grant processes. That programme will be offered for the first time in the coming year. The Society also offers small research grants to provide seed-corn funding to enable young scientists to initiate new projects by purchasing small pieces of equipment and consumables, as well as other

research grants for Research Fellows. The Wolfson Laboratory Refurbishment Scheme promotes high-quality scientific research by contributing to improvement of existing physical infrastructure in UK universities. A new topic, imaging, will be the subject of a fresh round of awards to be made in 2012/13. The Society enables outstanding UK scientists to interact with leading researchers around the world.

Newton International Fellowships attract outstanding early-career post-doctoral researchers to UK research institutions for two years. The scheme is run in partnership with the British Academy and covers the natural and social sciences, engineering, and the humanities. Thirty-eight Fellows were appointed during the year, of which 25 were in the natural sciences and engineering. The Society introduced a new and more flexible International Exchanges Scheme to supersede its International Travel Grants and International Joint Projects schemes. The number of awards made during the year was 142.

Six awards were made under the Society's capacity-building scheme for Ghana and Tanzania: the Leverhulme Royal Society Africa Award. The Leverhulme Trust has agreed to contribute further funding to extend the scheme. This next phase will provide three-year awards for bi-lateral collaborations between researchers in the UK and either Ghana or Tanzania. International Networking Grants, established to help UK scientists develop partnerships and collaboration with overseas counterparts, will continue. So too will the India-UK Scientific Seminars, which were launched last year and fund small scientific meetings that bring together early- and mid-career scientists from India and the UK.

Scientific meetings

The Society held 11 two-day scientific Discussion Meetings in London, attended by over 2,100 people. Audio recordings of the meetings are available at the Society's website. Topics ranged from *Physics at the high-energy frontier: the Large Hadron Collider project* to *Animal minds: from computation to evolution*. The Society also held 10 two-day Theo Murphy International Scientific Meetings and 11 two-day Research Fellow International Scientific Seminars at Chicheley Hall, the home of the Kavli Royal Society

International Centre. Those meetings attracted a total of 2,000 participants. Further details are available at <http://royalsociety.org/scientific-meetings/>. Expenditure on scientific meetings is recorded under 'inspiring the wider community' in the SOFA.

Scientific publishing

A highlight of the year in the Society's publishing activities was the launch of Open Biology, the first fully open-access journal in the Society's portfolio of nine journals. To mark Open Access week, the Society lifted in perpetuity all restrictions on its journal archives from 1665 to 1941, an action that was warmly received in scientific and public media. Many of the Society's journals saw increases in their Impact Factors, and the numbers of papers submitted, papers published, and articles downloaded all increased during the year. Income from publishing was £4.5 million and expenditure was £3.0 million. Expenditure on publishing is recorded under 'inspiring the wider community' in the SOFA. Further information about the Society's journals is available at royalsocietypublishing.org

Fellowship and awards

Forty-four Fellows and eight Foreign Members were elected to the Society in May 2011. New Fellows were admitted at a three-day event in July during which each gave a seminar on their research. At 31 March 2012, there were 1,355 Fellows and 147 Foreign Members.

The Society awarded its premier medal, the Copley Medal, to Professor Dan McKenzie FRS for his seminal contributions to the understanding of geological and geophysical phenomena including tectonic plates.

The Society awarded its Royal Medals for the physical, biological, and applied sciences to Professor Stephen Ley CBE FRS, Dr Robin Holliday FRS, and Sir Gregory Winter CBE, FRS, respectively. The award to Professor Ley recognised his pioneering research in organic chemistry and outstanding contributions to the methodology of synthesis. The award to Dr Holliday recognised his highly influential discoveries of the 'Holliday junction' structure in meiotic recombination and the function of DNA methylation at CG base pairs. The award to

Sir Gregory Winter recognised his pioneering work in protein engineering and therapeutic monoclonal antibodies, and his contributions as an inventor and entrepreneur.

The Society awarded its King Charles II Medal to Wen Jiabao, Premier of the State Council of the People's Republic of China. The Medal is awarded to Heads of State or Government who have made an outstanding contribution to furthering science in their country. The award was widely reported in UK and Chinese media.

Policy

The Society works to ensure that policy-makers have access to expert, independent, scientific advice, both through formal reports and via less formal interactions. The Society published several major policy reports during the year. *Responsible stewardship of a nuclear renaissance* explored the link between an expected global expansion of civil nuclear power and the proliferation of nuclear weapons. The project was sponsored by the Foreign and Commonwealth Office and the report was launched by the Secretary of State for Energy and Climate Change. *Solar radiation management: the governance of research* was the result of a collaboration involving the Society, the Environmental Defense Fund, and the Academy of Sciences for the Developing World. The Society completed its *Brain Waves* project, publishing *Neuroscience and the law*, which set out some of the areas where neuroscience might be of relevance to the law along with some of the limits to its application, and *Neuroscience, conflict, and security*, which considered some of the potential military and law-enforcement applications arising from key advances in neuroscience.

The Society launched a major project entitled *People and the planet*, exploring how population variables will affect and be affected by economies, environments, societies, and cultures over the next 40 years and beyond. The Society also began a major study *Science as a public enterprise* concerned with how science can remain open in today's data-intensive research environment. A further project started during the year, carried out jointly with the Royal Academy of Engineering and funded by the Government Office of Science, is concerned with

shale gas extraction in the UK. The reports of all three projects are to be published in the summer of 2012.

The Society remains committed to the core message of its 2010 report *The Scientific Century*, which was that the UK's demonstrated excellence in the fields of science and innovation should be at the heart of any policy for prosperity and well-being. The Society continues to monitor and analyse the landscape for research in the UK and to respond to consultations, including on the role of chief scientific advisers in Government departments, on bridging 'the valley of death' between research and commercialisation, and on arrangements to support strategically important and vulnerable subjects in higher education. Further information including links to policy reports is available at royalsociety.org/policy. Expenditure on policy work is recorded under 'advising the policy community' and 'collaborating with the international community' in the SOFA.

International and global cooperation

The European Academies Science Advisory Council, of which the Society is a member, issued several reports during the year, including *Infectious diseases and the future: policies for Europe* and *Concentrating solar power: its potential contribution to a sustainable energy future*. The Society hosted a multinational interdisciplinary Frontiers of Science meeting of outstanding early-career scientists, jointly with the Junge Akademie, the Alexander von Humboldt Foundation, and the Croucher Foundation. In May 2011, the Society contributed to G8+5 inter-academy statements on *Water and health* and *Education for a science-based global development*. More recently, the Society has worked with 14 other academies on three further joint statements concerning verifying greenhouse gas emissions, water and energy interactions, and disasters, risk, and resilience.

The Society has worked jointly with the Network of African Science Academies and Pfizer (US) to build capacity in the national science academies of Ghana, Tanzania, and Ethiopia. The programme culminated in an African Academies event that brought together representatives from 13 of the 17 African academies of science, whose constituencies represent over 1,200 African scientists. The Society

also participated in Ethiopia's first National Science Congress. The next phase of the Pfizer Academies programme will focus on institutional capacity building, influencing policy-making, and supporting the next generation of African scientists.

The Society participated in a seminar in China on science and policy-making organised jointly by the British Embassy and the Chinese Academy of Sciences, the first meeting of its kind. The Society will continue to develop links with China in the coming year. The *Atlas of Islamic World Science and Innovation* continued to progress, and several country studies and the overarching final reports are due to be published next year.

The Society continued to urge the Home Office, including via articles in the Press, to consider the risk that new visa restrictions might adversely affect the development of science, particularly in the UK. Expenditure on international and global cooperation is recorded under 'collaborating with the international community' in the SOFA.

Education and public engagement

The Society published a major report *Shut down or restart? The way forward for computing in UK schools* on the teaching of computing in schools. The project involved 24 organisations including professional bodies, universities, and industry. The report was referred to in a speech by the Secretary of State for Education and is informing consideration of computing in the context of the review of the National Curriculum. The Society launched a major three-year project whose goal is to produce a vision for the future of science and mathematics education from age 5 to 19. The project is led by a committee that includes two former Secretaries of State for Education and leading scientists, teachers, and educationalists.

The Society continued to inform science education policy through its membership of the partnership Science Community Representing Education, including by responding to consultations on the National Curriculum and giving oral evidence to the House of Commons Education Select Committee on conduct of examinations for 14 – 19 year-olds and to the Science and Technology Committee on practical work in science in schools. The Society's Partnership Grants scheme made awards to 30 primary schools

Summer Science Exhibition 2012

Among the exhibits at the 2011 Summer Science Exhibition were:

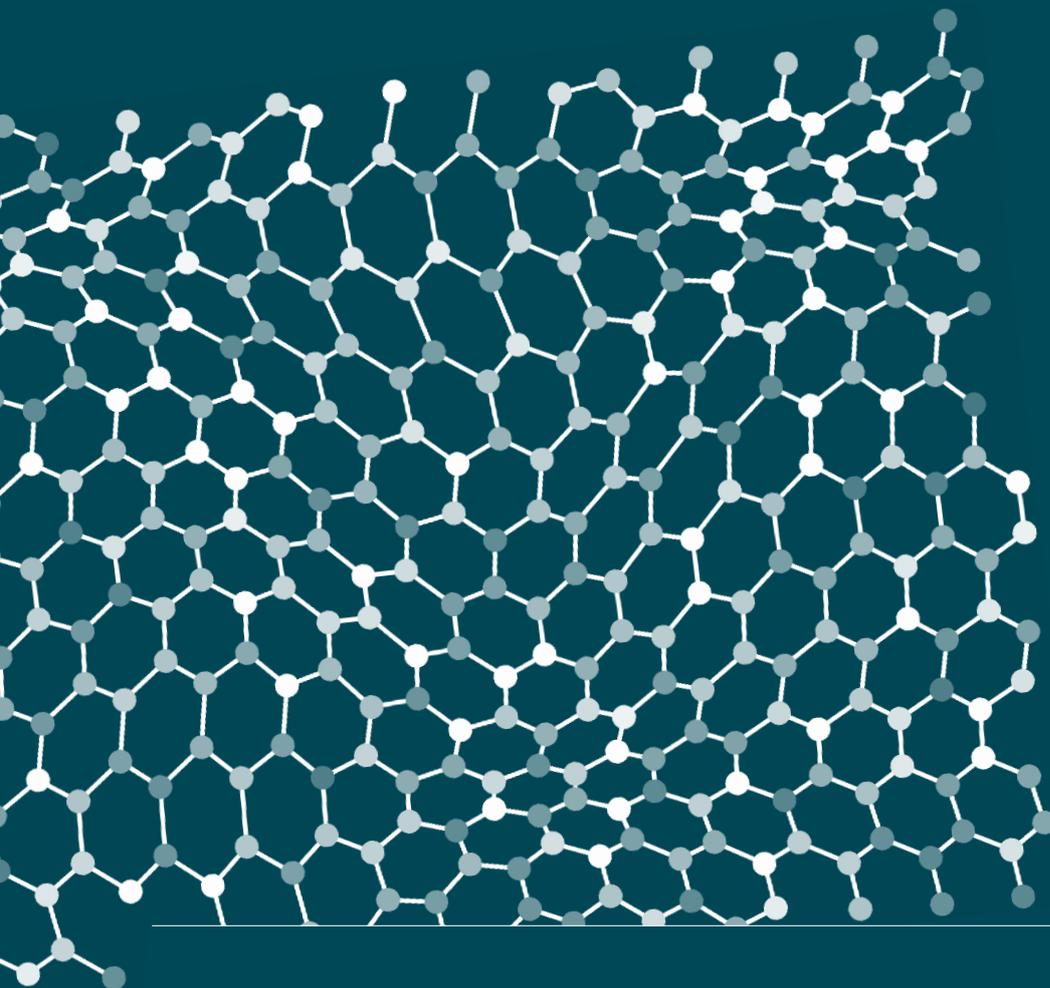
Carbon flatland: Graphene – unexpected science in a pencil line presented by Manchester University

Graphene is the thinnest material known and was only isolated in 2004 by a group of physicists from Manchester led by Andre Geim FRS and Kostya Novoselov, who actively explored its properties. This work proved so pioneering that they were awarded the 2010 Nobel Prize for Physics. Graphene is a single-atom thick, two-dimensional film of carbon atoms arranged in a “chicken wire” like structure, which was previously thought to be unstable in its free form. It is very strong, transparent, and highly conductive, with potential applications from strengthening aircraft wings to making mobile-phone touch screens and faster computers.

Pesticide resistance: Combating the superpests – the battle to save our food presented by Rothamsted Research and Biotechnology and Biological Sciences Research Council

Despite many years of research on alternative methods to control pests and diseases in crops, pesticides retain a vital role in securing global food production, and this will remain the case for the foreseeable future if we wish to feed an ever-growing population. Most classes of pesticides that are currently available have their efficacy threatened by the evolution of resistance to these chemicals in their target pests. Scientists at Rothamsted Research are leading work to understand the development and causes of this differential sensitivity to pesticides. Research into the causes of resistance therefore supports strategies for optimal and sustainable use of pesticides.

See royalsociety.org/summer-science/2011 for further information and videos relating to exhibits.



Left: generated by the Condensed Matter Physics Group at the University of Manchester, this image is a representation of the work led by Professor Andre Geim FRS and Professor Konstantin Novoselov FRS. They were awarded the Nobel Prize for Physics in 2010 for their experiments regarding graphene. © Paco Guinea 2010.

and 28 secondary schools. The scheme helps schools run exciting and innovative projects in partnership with a scientist or engineer.

The Society seeks to engage a wide public audience with current scientific research via a programme of events in London, around the UK, and online. Over 14,000 people, including 1,900 school pupils, visited the Society's Summer Science Exhibition in 2011. This was a substantial increase in scale from the corresponding event in 2009, which indicated that the major public-engagement efforts made by the Society during its 350th anniversary year in 2010, when the exhibition was held at the South Bank Centre and attracted 50,000 visitors, had been successful. The 2011 exhibition included presentations by over 500 scientists and an exhibit from Alcester High School, a recipient of a Partnership Grant from the Society. A series of events was held around the exhibition, including panel discussions, family workshops, and formal evening events.

The award ceremony for the Royal Society Winton Prize for Science Books included a panel discussion with the judges and an opportunity for the audience to discuss science writing with the short-listed authors. The prize was awarded to *The Wavewatcher's Companion* by Gavin Pretor-Pinney (Bloomsbury). With the support of an anonymous donor, the Royal Society Young People's Book Prize was re-launched in 2011. Four events for families, based on themes from the shortlisted books, were held in Bristol, Glasgow, and London. The 2011 winner, *How the world works* by Christiane Dorion and Beverley Young (Templar), was selected by over 100 judging panels composed of young people from across the UK. The award ceremony included a film commissioned for the event that included clips from video reviews submitted by the judging panels.

The Society continued to attract good audiences to its public lectures and panel discussions on current scientific work. The public lecture programme on topics in the history of science also continued to attract good audiences, and most of the lectures were supplemented by podcast versions. The Society ran a new event, One Culture, devoted to exploring scientific influences on contemporary literature. The event included 30 talks and a family zone with hands-on activities for children. This

event was particularly successful in attracting new audiences to the Society. The Society's third Open House weekend in September 2011 attracted 1,500 visitors to tours of its London premises and talks on the building's architecture and on the Society. A further 2,500 visitors took part in tours of the premises during the year.

The Society's Centre for History of Science continued in its core business of safeguarding the Society's historical collections, making them available to researchers, and exploiting their potential as a means of raising awareness of science. Its exhibitions included *Arabick Roots*, an exploration of early Royal Society interactions with classical Arabic and Islamic scientific scholarship, and *Crystal World*, the first in a new strand concentrating on interactions between contemporary art and science. The Society continued to make objects from its collections available for loan to approved museums and other professional exhibition venues. Some important donations were made to the Society during the year, including 62 boxes of materials belonging to Sir George Porter, past-President of the Society. Nine additional web-based *Turning the Pages* digital manuscripts were made available at the start of the year, and promotion of them included interviews on BBC Radio and elsewhere. The Centre also organised an event for scholarly historians on *Science voices: scientists speak about science and themselves*.

The Society's website remains the principal means through which audiences around the world engage with the Society. The website received 2 million visits and 5 million page views. The Society's blogs *InVerba* and *The Repository* continued to attract increased numbers of readers. During the year, the Society initiated a major project to develop a new digital strategy. Expenditure on education and public engagement is recorded under 'engaging the education community' and 'inspiring the wider community' in the SOFA.

The Society was the recipient of the Prince of Asturias Award for Communication and Humanities. This award is among the most important in Spain and is given in recognition of a contribution to encouraging and promoting the scientific, cultural, and humanistic values that form part of mankind's universal heritage. The Society made a significant

loan of manuscripts, watercolours, printed books, and artefacts for the associated celebrations in Oviedo. The event received extensive media coverage in Spain.

The President of the Society, Sir Paul Nurse FRS, delivered the 36th Richard Dimpleby lecture on BBC television. The lecture explored the wonder of science, how it enhances our culture and civilisation, how it can help solve major global problems, and how it can be harnessed to improve health, quality of life, and the strength of the UK economy.

Conference services

In addition to running scientific events at its Grade 1 listed Georgian premises overlooking the Mall in London and at Chicheley Hall, a Grade 1 listed country house located in North Buckinghamshire, the Society offers conference and other services at those venues. For further information, see royalsociety.org/Venue-Hire and chicheleyhall.co.uk. Total income at the two venues was £2.9 million and total expenditure was £2.5 million. The business in London made a significant surplus. The business at Chicheley Hall, which opened in 2010, is not yet fully established, and a Board comprising Fellows, external advisers, and senior staff has been established to advise Council on how to address this. Non-primary purpose trading at Chicheley Hall is conducted through a wholly owned subsidiary company, Royal Society Trading Ltd.

Development

The Campaign Board that had the Society's 350th anniversary year in 2010 as its focus was succeeded during 2011/12 by an Advisory Board whose role is to guide and assist the Society in engaging effectively with leaders of the nation's cultural life and to provide advice and assistance concerning fund-raising. During the year, the Advisory Board concentrated on formulation of strategy. The Society received £1.1 million in gifts and donations and £3.5 million in legacies, including £2.0 million from the estate of Professor Noreen Murray FRS and £1.3 million from the estate of Dr Sydney Andrew FRS.

The Royal Society Enterprise Fund

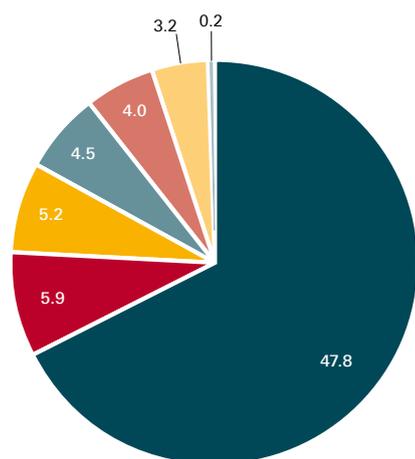
The Royal Society Enterprise Fund was created in 2008 from donations made to the Society. Its purpose is to make equity investments in innovative early-stage businesses emerging from the science base in the UK and elsewhere. The Society is advised in relation to potential investments by a wholly owned subsidiary company, The Royal Society Enterprise Fund Ltd. At the end of the year, the total of investments made by the Fund was £1.8 million and the total value of the Fund, including assets held in anticipation of further investments, was £6.4 million.

Financial review

The Society recorded a surplus for the year of £2.6 million, with total income of £70.8 million and total expenditure of £68.2 million. There was a net loss of £4.8 million on investments and an actuarial loss of £4.9 million on the Pension and Life Assurance Scheme of Royal Society. As a result, total funds decreased from £236.2 million to £229.1 million.

In summary, income and expenditure were as follows:

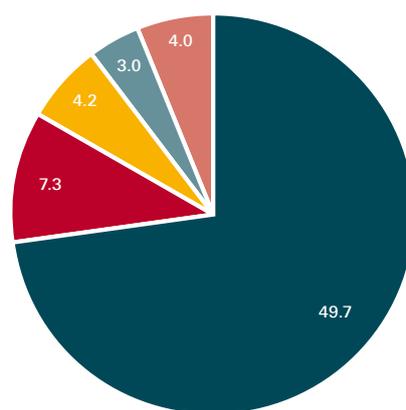
Income (£1m)



- Grant from the Department for Business, Innovation, and Skills
- Grants from other sources
- Gifts, donations, and legacies
- Publishing
- Investments
- Conference and related services
- Other

Total income was 2.8% less than in the prior year, while total expenditure was 4.5% less. The grants to be made to the Society by the Department for Business, Innovation, and Skills in the years 2011/12 to 2014/15 and the Society's Delivery Plan for that period were agreed in 2011 following the Government's Comprehensive Spending Review. The grant for 2011/12 was £1.0 million less than in the prior year, and in line with the Delivery Plan, the grants awarded by the Society during the year were correspondingly less. Grants received from other sources decreased by £0.3 million, and grants awarded were correspondingly less. Donations, gifts, and legacies decreased by £0.4 million. The surplus from publishing increased by £0.1 million to £1.5 million. The surplus from conference and related services and other services increased by £0.2 million to £0.7 million. In a change in accounting treatment,

Expenditure (£1m)



- Grants awarded
- Staff
- Trading
- Buildings costs and depreciation
- Other

in Note 3, external conference income is separated from recharged internal income, and the prior-year figures are restated accordingly.

Capital expenditure on improvements to the Society's London premises and purchases of equipment totalled £0.4 million. The depreciation charge for the year was £1.5 million, of which £1.0 million related to the London premises and £0.5 million to Chicheley Hall.

The value of investments fell from £167.0 million to £159.6 million. Net losses on investments were £4.8 million and cash removed was £2.9 million.

Total funds fell from £236.2 million to £229.1 million. There were transfers of £2.0 million from restricted funds to unrestricted funds and of £1.3 million

from expendable endowment funds to unrestricted funds, in line with the policy stated in Note 19 in the Financial Statements. Unrestricted funds fell from £88.4 million to £83.4 million. Tangible fixed assets fell by £1.2 million due mainly to depreciation, while heritage assets were unchanged. Freely available unrestricted funds fell from £10.8 million to £7.0 million, a sum below the lower limit of £7.8 million corresponding to 6 months' operating expenditure specified in the Society's reserves policy. A significant factor in that fall was an actuarial loss of £4.9 million on the Society's Pension Scheme. That Scheme is under review. The Society repaid a bank loan of £7.0 million taken out in 2008/09 in connection with refurbishment of Chicheley Hall.

The value of expendable endowment funds at the end of the year was £40.5 million.

There was a net increase in cash of £3.4 million.

Reserves policy

The Society holds free reserves so that in the event of an unexpected shortfall in income, it would be able to honour its charitable commitments, safeguard its core activities, and respond to unforeseen charitable opportunities. Council reviewed the reserves policy during the year, informed by advice from the Audit Committee, and determined that a target range of £7.8 million to £15.5 million was appropriate for the Society, that being sufficient to cover 6 to 12 months' operating costs. The Society's free reserves comprise the part of its unrestricted funds that excludes tangible fixed assets and heritage assets.

As noted above, at the Balance Sheet date, the value of free reserves was £7.0 million, which was outside the target range, in large part because of the significant increase in the deficit on the Pension Scheme. The Society monitored its financial position closely during 2011/12 and took steps to ensure that an acceptable financial outcome was achieved. It has set a break-even budget for 2012/13. The Society reviews its reserves policy annually and will devote particular attention to the policy in the coming year.

Investment policy

The Society's investment policy is to hold assets to maximise overall return with an appropriate level of risk, when considered alongside the Society's Strategic Plan and its level of reserves. The Society maintains an investment portfolio in order to: provide long-term growth in the Society's endowment in excess of underlying inflation; provide a source of cash to support the Society's operations to an appropriate sustainable level; and provide a source of liquidity to the Society. The Society makes investment decisions under the advice of the Investment Advisory Committee, chaired by the Treasurer, whose members have investment or commercial background and experience.

The Society expects a balance between capital growth and income to further its charitable work. It seeks to grow the basic value of its investments in real terms, both in dividends and in capital. Currently, the Society looks to withdraw 4% of the value of its general endowment each year as cash through a combination of income and capital. The Society also holds expendable funds within the portfolio, all of which will be expended over time, and other permanently endowed funds.

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, fixed interest, venture capital, hedge funds, private equity funds, and property funds. A broad asset allocation of 80% equities, 20% fixed interest is a default position with variation as advised and monitored by the Investment Advisory Committee. Investment managers have a general discretion over asset allocation and selection. The Society is an ethical investor and judges its investments appropriately. Such judgements will be consistent with the Trustees' powers and fiduciary responsibilities and with the Society's charitable objects. The Society's Enterprise Fund invests directly in innovative early-stage businesses emerging from the science base in the UK and elsewhere.

Grants policy

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

The grants made by the Society fall into two broad classes: (1) fellowships and (2) research grants. They can be further classified into: (1) early-career fellowships, Professorships and Senior Fellowships, and support for innovation; and (2) research grants, collaboration and travel grants, capacity-building grants, and education-related grants. More detailed information is given under 'Support for scientists' above.

Grant applications are made on-line via the Society's e-GAP system at e-gap.royalsociety.org. The eligibility criteria for each scheme are available on the Society's website and through e-GAP together with information about the value and duration of awards, the terms and conditions, the application process, and success rates. In most cases, applicants must be hosted by a UK university or research institute.

In general, applications are assessed by means of a peer-review process and consideration by a panel of experts comprising Fellows of the Society and other senior scientists. Each panel is chaired by a Fellow of the Society. For some schemes, candidates are interviewed by the panel. Each panel considers all applications and determines a ranking order and a cut-off point, and its recommendations are finalised by its chair in light of advice from staff on the precise level of funding available. Council decides which grants to make based on the recommendations of the panels. Further information is available at royalsociety.org/grants/applications

Governance

The Society was founded in 1660 and incorporated by Royal Charter. The governing body of the Society is its Council. The Society is a registered charity and the members of the Council are its Trustees. Under the Society's Charters, the Council 'shall and may have full authority, power, and faculty from time to time to draw up, constitute, ordain,

make, and establish such laws, statutes, acts, ordinances, and constitutions as shall seem to them, or to the major part of them, to be good, wholesome, useful, honourable, and necessary, according to their sound discretions, for the better government, regulation, and direction of the Royal Society aforesaid, and of every Member of the same, and to do and perform all things belonging to the government, matters, goods, faculties, rents, lands, tenements, hereditaments, and affairs of the Royal Society aforesaid.'

The Council is composed of 21 Fellows who are elected by the Fellowship. It is chaired by the President of the Society, and among its members are four Officers: the Treasurer, the Physical Secretary, the Biological Secretary, and the Foreign Secretary.

Council has had regard to the guidance on public benefit published by the Charity Commission when reviewing the Society's activities.

The Society reviewed its governance arrangements during the year with the assistance of PricewaterhouseCoopers LLP, and it is now working to bring about improvements in those arrangements. One element of the improvements is the preparation of a petition to Her Majesty the Queen for a supplemental Charter, and it is hoped that the petition will be considered by the Privy Council in the summer of 2012. Under the Society's Charters of the 1660s, 10 of the 21 members of Council retire each year. Were the supplemental Charter to be granted, the terms of Council members would be increased. The Society is reviewing the induction and training provided for Trustees.

Council is supported by a range of committees, including the following:

The **Audit Committee** is charged with assessing the risk management and control and governance arrangements within the Society and advising Council on the effectiveness of those arrangements. Specific duties include: review of audit aspects of the Financial Statements including the External Auditor's opinion; advising Council on the appointment of External Auditors and Internal Auditors; oversight of the Internal Audit programme, consideration of the findings of Internal Audit reports, and monitoring of implementation of recommendations; oversight of

the Society's policy on fraud; and consideration of arrangements to promote economy, effectiveness, and efficiency.

The **Board** gives advice and makes recommendations to Council and takes decisions on key operational matters. Its membership comprises the President, the Officers, and the Executive Director, and it is attended by the Society's other Directors.

The **Finance Committee** is responsible for: reviewing the Society's financial position and the funds available; making recommendations on the level of resources that can prudently be expended; identifying priorities for expenditure and for savings as required; making recommendations on resource-allocation; making longer-term financial forecasts; identifying financial risks and opportunities; reviewing financial management information; reviewing cash-flow requirements and investment objectives; and monitoring the cost of the Society's pension scheme.

The **Investment Advisory Committee** advises the Treasurer on investment strategy and performance.

The **Nominations Committee for Elections and Appointments** advises Council about the strongest candidates for election as members of Council and for appointment as chairs of Sectional Committees.

The **Publishing Board** acts on Council's behalf to direct the Society's publication programme and to meet scientific and financial objectives set by Council.

The **Remuneration Committee** advises the Treasurer and the Executive Director on matters related to the policies to be adopted by the Society for staff payment and reward systems, and makes recommendations to the Board for structural change.

The **Science Policy Advisory Group** advises Council on the work programme of the Science Policy Centre.

The **Sectional Committees**, of which there are ten spanning the scientific disciplines, select short lists of candidates for consideration by Council for election to the Fellowship.

Operations

Council delegates responsibility for day-to-day management of the Society to the Executive Director, who is supported by six Directors whose portfolios are Commercial, Fellowship and Scientific Affairs, Finance, History of Science and Corporate Affairs, Policy, and Public Engagement. During the year, the Society undertook a major review of the organisation of its staff, led by the Executive Director. This resulted in some restructuring, including of the Development Section and the Education Section, and fostering of closer working between Sections of the administration.

Major developments in IT concerned in-house rewriting of the Society's systems for elections to the Fellowship, an upgrade to the HR system to implement an on-line recruitment portal, and review of IT security arrangements. In HR, provision to develop the management and business skills of staff was enhanced. The Facilities staff managed several maintenance projects, including the external redecoration of the Society's London premises. The Society also initiated a project to build on improvements that have been made in the efficiency of use of energy at its premises and to embed sustainability considerations more generally in its operations.

Statement of Trustees' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

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

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

Risk assessment

Council is responsible for ensuring that proper arrangements are in place for adequate risk management and control. Council puts reliance on the Audit Committee to assess those arrangements and to advise it. In line with the Society's risk management policy, the Society's full risk register was reviewed by management during the year and by the Audit Committee in June 2011, and that Committee reviewed significant risks at each of its meetings. The Society is undertaking further work on risk management, with the assistance of its Internal Auditors, to embed an appropriate culture of risk management throughout the Society and to strengthen risk management at the corporate level. In particular, the Society is preparing revised risk registers.

Connected charities, subsidiaries and associated undertakings

Council regards The Wolfson Research Professorship of the Royal Society as a Connected Charity of the Society. Its objective is 'to establish and maintain in the British Commonwealth of Nations a Research Professorship to be held by a distinguished British

scientist who will devote the whole of his or her time to research.' The Professorship is administered by the Society. Financial information about the charity is set out in Note 23 in the Financial Statements.

The Society has three wholly owned subsidiary undertakings: Carlton House Terrace Developments Limited, the Royal Society Trading Limited, and the Royal Society Enterprise Fund Limited. The Society also owns the share capital of the Royal Society (Australia) Pty Limited, which is the trustee of the Royal Society Theo Murphy (Australia) Fund. The principal activity of Carlton House Terrace Developments Limited is the redevelopment of the Society's London premises at 6 – 9 Carlton House Terrace. The company did not trade during the year. The principal activity of the Royal Society Trading Limited is to process all external activities that occur at the Kavli Royal Society International Centre. As noted above, the Royal Society Enterprise Fund Limited advises the Society in relation to equity investments in innovative early-stage businesses emerging from the science base in the UK and elsewhere. The results of these companies are consolidated into the Financial Statements; see Note 22. The Royal Society Trading Limited and the Royal Society Enterprise Fund Limited both gift-aid their profits to the Royal Society. Those profits were £244k and zero, respectively.

As a result of an addition during the year to the share-holding by the Enterprise Fund in Sphere Fluidics Limited, the Society's share of the called-up share capital of that company increased to 25.9%. In accordance with FRS9, the Society accounts for that investment as an associated undertaking. During the year, the Society's share of the loss made by the company was £7k.

Paul Nurse

Paul Nurse
President

16 July 2012

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

Year ended March 2012

We have audited the group and parent charity financial statements ("the financial statements") of The Royal Society for the year ended 31 March 2012 which comprise consolidated statement of financial activities, consolidated and parent charity balance sheets, consolidated cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees, as a body, in accordance with regulations made under section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the statement of trustees' responsibilities, the trustees are responsible for the preparation of the financial statements, which give a true and fair view. We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charity's affairs as at 31 March 2012 and of the group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Charities Act 2011 and regulations made thereunder.

Opinion on other matter as required by BIS Grant agreement

In our opinion, in all material aspects, the grant payments received from the Department for Business, Innovation and Skills (BIS) have been applied for the purposes set out in the Grant Letter and in accordance with the terms and conditions of the grant.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where regulations made under the Charities Act 2011 requires us to report to you if, in our opinion:

- sufficient accounting records have not been kept in respect of the parent charity; or
- the parent charity financial statements do not accord with the accounting records; or
- any information contained in the financial statements is inconsistent in any material respect with the trustees' report; or
- we have not received all the information and explanations we require for our audit.

PKF (UK) LLP

PKF (UK) LLP
Statutory auditor

PKF (UK) LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006
London, UK
26 July 2012

Consolidated statement of financial activities

For the year ended 31 March 2012

	Notes	Unrestricted funds £'000	Restricted funds £'000	Expendable endowment funds £'000	Permanent endowment funds £'000	2012 total funds £'000	2011 (restated) total funds £'000
INCOMING RESOURCES							
Incoming resources from generated funds							
Voluntary income	1	669	4,535	–	–	5,204	5,572
Investment income	2	1,116	2,930	–	–	4,046	3,732
Trading through subsidiary	3	563	–	–	–	563	200
		2,348	7,465	–	–	9,813	9,505
Incoming resources from charitable activities							
Grants for charitable activities	4	1,498	52,235	–	–	53,733	55,004
Trading in furtherance of charitable objectives	3	7,157	–	–	–	7,157	6,596
		8,655	52,235	–	–	60,890	61,600
Other income		40	33	–	62	135	297
Total incoming resources		11,043	59,733	–	62	70,838	71,401
RESOURCES EXPENDED							
Costs of generating funds							
Costs of generating voluntary income		608	–	–	–	608	701
Investment management costs	15	124	4	84	206	418	387
Trading through subsidiary	3	377	–	–	–	377	146
Total costs of generating funds		1,109	4	84	206	1,403	1,234
Charitable activities							
Supporting the scientific community		4,447	44,601	–	–	49,048	48,822
Advising the policy community		1,555	463	–	–	2,018	2,021
Engaging the education community		857	876	–	–	1,733	1,865
Collaborating with the international community		1,038	6,683	–	–	7,721	8,320
Inspiring the wider community		4,142	1,381	–	–	5,523	8,211
Total cost of charitable activities	5	12,039	54,004	–	–	66,043	69,238
Governance costs	8	772	–	–	–	772	692
Total resources expended		13,920	54,008	84	206	68,218	69,930

Consolidated statement of financial activities (continued from page 21)

	Notes	Unrestricted funds £'000	Restricted funds £'000	Expendable endowment funds £'000	Permanent endowment funds £'000	2012 total funds £'000	2011 (restated) total funds £'000
Net incoming/(outgoing) resources before transfers		(2,877)	5,725	(84)	(144)	2,620	1,471
Net loss from associated company	15	–	(7)	–	–	(7)	–
Gross transfers between funds	19	3,283	(1,981)	(1,302)	–	–	–
Net incoming/(outgoing) resources before other recognised gains and losses		406	3,737	(1,386)	(144)	2,613	1,471
Net (losses)/gains on investments	15	(453)	(637)	(1,037)	(2,643)	(4,770)	9,392
Actuarial (losses)/gains on defined benefits pension scheme	21	(4,952)	–	–	–	(4,952)	1,565
Net movement in funds		(4,999)	3,100	(2,423)	(2,787)	(7,109)	12,428
Total funds brought forward at 1 April		88,368	10,993	42,921	93,918	236,200	223,772
Total funds carried forward 31 March		83,369	14,093	40,498	91,131	229,091	236,200

A Statement of Total Recognised Gains and Losses is not required as all gains and losses are included in the Statement of Financial Activities. Incoming resources of the Charity during the year were £70,461,000 (2011: £71,255,000) less resources expended by the Charity at £67,841,000 (2011: £69,784,000) led to a surplus of £2,620,000 (2011: £1,471,000). All incoming resources, resources expended and resulting net movements in funds are derived from continuing activities. The notes that follow form part of the financial statements.

Consolidated balance sheet

As at 31 March 2012

	Notes	Group 2012 £'000	Group 2011 £'000	Charity 2012 £'000	Charity 2011 £'000
Fixed assets					
Tangible assets	12	29,186	30,357	29,186	30,357
Heritage assets	14	47,219	47,190	47,219	47,190
Investment in associated company	15	243	–	243	–
Investments	15	159,391	166,955	159,391	166,955
		236,039	244,502	236,039	244,502
Current assets					
Stock		35	36	35	36
Debtors receivable within one year	16	5,237	4,133	5,188	4,073
Debtors receivable after one year	16	2,700	3,400	2,700	3,400
Cash at bank and in hand		5,702	2,264	5,485	2,130
		13,674	9,833	13,408	9,638
Creditors: amount due in one year	17	(13,318)	(15,602)	(13,052)	(15,407)
Net current assets/(liabilities)		356	(5,769)	356	(5,769)
Total assets less current liabilities		236,395	238,734	236,395	238,733
Creditors: amount due after one year	17	(181)	(246)	(181)	(246)
Defined benefits pension scheme: liability	21	(7,123)	(2,288)	(7,123)	(2,288)
Net assets		229,091	236,199	229,091	236,199
Permanent Endowment Funds	19	91,131	93,918	91,131	93,918
Expendable Endowment Funds	19	40,498	42,921	40,498	42,921
Restricted Funds	19	14,093	10,993	14,093	10,993
Unrestricted funds					
Revaluation reserve	19	46,036	46,036	46,036	46,036
Unrestricted income funds	19	37,333	42,331	37,333	42,331
		229,091	236,199	229,091	236,199

The financial statements were approved and authorised for issue by Council and signed on its behalf on 5 July 2012.



Sir Peter Williams
Treasurer

Consolidated cash flow statement

For the year ended 31 March 2012

CASH FLOW STATEMENT

	Notes	2012 £'000	2011 £'000
Net cash outflow from operating activities		(2,364)	(2,740)
Returns on investments and servicing of finance			
Investment income	2	4,046	3,732
Interest paid		(125)	(141)
Net cash inflow from returns on investments and servicing of finance		3,921	3,591
Capital expenditure and financial investment			
Purchase of tangible fixed assets	12	(318)	(3,462)
Purchase of heritage assets	14	(2)	(20)
Purchase of investments	15	(13,740)	(27,652)
Proceeds from sale of investments	15	16,190	32,182
Net decrease in endowment investments	19	228	174
Net cash outflow from capital expenditure and financial investment		2,358	1,222
Acquisitions			
Purchase of associated company	15	(250)	–
Net cash outflow before management of liquid resources and financing		3,665	2,073
Financing			
Net (decrease) in endowment investments	19	(228)	(174)
Net cash (outflow) from financing activities		(228)	(174)
Increase in cash	2	3,438	1,899
Cash at 1 April		2,264	365
Cash at 31 March		5,702	2,264

RECONCILIATION OF NET INCOMING RESOURCES TO NET CASH INFLOW FROM ACTIVITIES

	Notes	2012 £'000	2011 (restated) £'000
Net incoming resources before revaluation		2,613	1,471
Investment income	2	(4,046)	(3,732)
Interest paid		125	141
Depreciation charges	12	1,489	1,551
Investment management fees charged to portfolio	15	418	387
Decrease/(Increase) in stocks		1	(7)
(Increase)/Decrease in debtors		(404)	2,290
(Decrease) in creditors		(2,349)	(3,861)
Exchange gain on investment portfolio	15	(74)	(160)
Share of loss in associated company	15	7	–
Donated heritage assets	14	(27)	(145)
Difference between pension charge and cash contributions	21	(117)	(675)
Net cash (outflow) from operating activities		(2,364)	(2,740)

ANALYSIS OF CHANGE IN NET FUNDS

	As at 31 March 2010 £'000	Cash flow £'000	As at 31 March 2011 £'000	Cash flow £'000	As at 31 March 2012 £'000
Cash in hand and at bank	365	1,899	2,264	3,438	5,702
Total cash	365	1,899	2,264	3,438	5,702
Debt due within one year	–	–	7,000	(7,000)	–
Debt due over one year	7,000	–	–	–	–
Total change in net funds	7,365	1,889	9,264	(3,562)	5,702

Accounting policies

For the year ended 31 March 2012

The principal accounting policies adopted in the preparation of these Financial Statements are as follows:

Basis of preparation

The Financial Statements have been 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 in accordance with the heritage assets policy. They are also prepared in accordance with applicable accounting and financial reporting standards in the United Kingdom, the requirements of the Charities Act 2011 and the Statement of Recommended Practice – Accounting and Reporting by Charities (revised 2005) ('the SORP').

Group Financial Statements

The Society has three wholly owned subsidiary companies: Carlton House Terrace Developments Limited (which was dormant in the year), The Royal Society Enterprise Fund Limited, and The Royal Society Trading Limited. The Society also owns the share capital of The Royal Society (Australia) Pty Limited. The Royal Society (Australia) Pty Limited is the trustee of the Royal Society Theo Murphy (Australia) Fund.

The results of each of these subsidiary undertakings (see Note 22) have been incorporated into these consolidated Financial Statements under the heading 'Group' on a line-by-line basis, adopting uniform accounting policies. Their objectives contribute to those of the Royal Society Group strategy, and under the tests of control they are deemed to be charitable subsidiaries of the Society. The Royal Society Trading Limited and The Royal Society Enterprise Fund Limited gift aid their profits to the Royal Society.

The Society invests in innovative early-stage businesses emerging from the science base in the UK and elsewhere through its Enterprise Fund. On 29 September 2011, the Society's share of the called up share capital of Sphere Fluidics Limited increased to 25.9%. Where the Society's investment in a company exceeds 20% of the voting rights and

the Society considers that it exercises significant influence over the operating and financial policy of the company, the Society, in accordance with FRS9, accounts for the investment as an associated undertaking.

No separate Statement of Financial Activities (SOFA) has been presented for the Charity alone, as permitted by paragraph 397 of the SORP.

Fund accounting

Unrestricted funds comprise accumulated surpluses and deficits on general funds that are available for use at the discretion of the Trustees in furtherance of the general objectives of the Charity.

Designated funds are unrestricted funds that the Trustees of the Charity have set aside out of general funds and comprise sums of money for specific projects that can be either the updating of existing charitable services or the development and piloting of new charitable services.

Also within the designated funds are 'Heritage assets' and 'Tangible fixed assets'. 'Heritage assets' represents the value of the Society's collections as noted below. 'Tangible fixed assets' represents the value of the Society's interests in land and buildings, in use for the provision of charitable services. This value is shown in a separate designated fund, as the properties represented are essential for the provision of the Society's services. Transfers in respect of additions to (disposals of) property in the year are made to (from) the 'Tangible fixed assets' fund from (to) the general fund and the redevelopment funds. Property depreciation is charged to the 'Tangible fixed assets' fund.

Restricted funds comprise income received with special conditions attached. Income for a specific purpose not spent in any year is carried forward in the relevant fund.

Endowments received are credited directly to the relevant endowment fund. Income arising from the related investments is allocated to the general fund

or to the relevant restricted fund, depending on the terms of endowment. Income from the general trust fund is unrestricted.

Incoming resources

Donated goods and services are included at the value to the Society where these can be quantified. No amounts are included in these Financial Statements for the services donated by volunteers. Income from trading in subsidiary undertakings is transferred to the Society by covenanting the profits of those undertakings. Donations are accounted for as soon as their amount and receipt is certain. Donations include Gift Aid based on amounts recoverable at the accounting date.

Legacy income is recognised on a receivable basis when there is sufficient evidence to provide necessary certainty that it will be received and the value of the incoming resources can be measured with sufficient reliability. Council has determined that it does not regard a legacy as receivable until probate has been granted in respect of the estate.

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

Investment income and interest on deposits is recognised on an accruals basis. Where an incoming resource is received in advance of the activity to be performed then the incoming resource is deferred and included in creditors. Investment income arising on endowment funds is credited to the appropriate fund in accordance with the prescribed conditions.

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

Grants receivable in respect of expenditure on tangible fixed assets are treated as income of either a restricted fund or an 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.

Charitable expenditure

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

Expenditure on staff, establishment, and operating costs are allocated to charitable activities. In a change in policy, support costs have been apportioned to charitable activities on the basis of the staff costs of activities. Comparative figures have been restated to show a like-for-like comparison.

Development expenses include those costs incurred in raising donations and legacies.

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

Governance costs are incurred in relation to the running of the Society. This includes strategic planning and attending to the Society's statutory affairs.

Foreign currency

Transactions in foreign currencies are translated into sterling using a weekly 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.

Leased assets

All operating leases and rental expenses are charged to the SOFA as incurred over the term of the lease on a straight line basis.

Tangible fixed assets

Expenditure on tangible fixed assets is capitalised if the cost of the total asset exceeds £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, on all assets excluding freehold land and assets under construction, to write off the cost of tangible fixed assets on a straight line basis over their expected useful lives as follows:

- Freehold property and improvements: 20 – 30 years
- Leasehold improvements: 20 – 30 years
- Computers and AV equipment: 3 – 5 years
- Other equipment: 10 – 20 years.

Fixed assets are subject to review for impairment when there is an indication of a reduction in their carrying value. Any impairment is recognised in the SOFA in the year in which it occurs.

Heritage assets

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

Printed works: The Library contains over 70,000 titles, published from the 1470s to the present day. The main strength of the collections is in the 17th and 18th centuries: from the 1680s to the mid-19th century, the policy of the Library was to acquire every important scientific publication.

Archives: These comprise an extraordinary and unrivalled record of the development of science that spans nearly 350 years. The archive collection is a unique resource for historians, particularly historians of science, containing over 250,000 items.

Pictures, sculptures, and other works of Art: The collection includes over 6,000 photographs, engravings, and paintings of past and present Fellows.

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

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 14. The assets were included in the valuations based on the information catalogued at the time they were carried out; in the case of the printed books and archives the valuations were based on those items detailed in *A Guide to the Archives and Manuscripts of the Royal Society* (Moore and Sampson, 1995), which was the basis of their previous valuation in 1995.

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

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

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

Investments

Investments listed on a recognised stock exchange, including Investment and Unit Trusts, are stated at mid-market value at the Balance Sheet date.

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

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

The investments in subsidiary undertakings are held at cost on the Society's balance sheet. The investment in an associated undertaking is valued at the Society's share of the fair value of the assets at the date of acquisition. The difference between that valuation and the price paid for the shares acquired is accounted for as goodwill and included in the value of the investment on the balance sheet.

Amortisation of goodwill

The Society's policy is to consider its treatment of goodwill on a case-by-case basis. The investment in Sphere Fluidics Limited is not intended to be a long-term participating interest. The Society is not aware of any impairment of the associated company since the date of acquisition and it has therefore not amortised the goodwill generated. The position will be reviewed at the next balance sheet date.

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'.

Taxation

The Society is a Registered Charity and as such is entitled to certain tax exemptions on income and profit from investments and surpluses on any trading activities carried out in furtherance of the Charity's primary objectives. These profits are applied solely for charitable purposes.

Notes to the financial statements

For the year ended 31 March 2012

1. VOLUNTARY INCOME

	Unrestricted funds £'000	Restricted funds £'000	Expendable Endowment funds £'000	Permanent Endowment funds £'000	2012 total funds £'000	2011 total funds £'000
Gifts and donations	313	1,198	–	–	1,511	5,115
Legacies	138	3,337	–	–	3,475	254
Fellows' contributions	218	–	–	–	218	203
Total	669	4,535	–	–	5,204	5,572

2. INVESTMENT INCOME

	Unrestricted funds £'000	Restricted funds £'000	Expendable Endowment funds £'000	Permanent Endowment funds £'000	2012 total funds £'000	2011 total funds £'000
Dividends - UK equities	602	1,722	–	–	2,324	2,080
Dividends - overseas equities	322	921	–	–	1,243	1,264
Interest - overseas fixed interest securities	100	287	–	–	387	373
Bank deposit interest	92	–	–	–	92	15
Total	1,116	2,930	–	–	4,046	3,732

3. TRADING

	2012				2011 (restated)			
	External income £'000	Recharged internal lettings £'000	Gross expenditure £'000	Net surplus/ (deficit) £'000	External income £'000	Recharged internal lettings £'000	Gross expenditure £'000	Net surplus/ (deficit) £'000

Incoming resources from generated funds

Lettings through subsidiary – Kavli Royal Society International Centre	563	–	377	186	200	–	146	54
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Trading in furtherance of charitable activities

Publishing	4,519	–	2,997	1,522	4,406	–	2,984	1,422
Lettings in furtherance of objectives – Carlton House Terrace	2,362	1,051	2,350	1,063	2,071	1,017	2,266	822
Lettings in furtherance of objectives – Kavli Royal Society International Centre	–	440	1,271	(831)	0	445	986	(541)
Other	276	–	–	276	119	–	–	119
	7,157	1,491	6,618	2,030	6,596	1,462	6,236	1,822
Total	7,720	1,491	6,995	2,216	6,796	1,462	6,382	1,876

The costs of the Society's publishing operation are included as part of "Supporting the scientific community" on the face of the SOFA, the costs associated with the letting's in furtherance of charitable objects are included in "Inspiring the wider community" and the costs of lettings through the Subsidiary are included in the costs of generating funds. The Society was exempt from income tax, corporation tax and capital gains tax on income derived from its primary purpose trading and charitable activities.

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

4. GRANTS FOR ACTIVITIES

	Unrestricted funds £'000	Restricted funds £'000	Expendable Endowment funds £'000	Permanent Endowment funds £'000	2012 total funds £'000	2011 (restated) total funds £'000
From Government and other public bodies						
Grant from the Department of Business, Innovation and Skills	1,498	46,332	–	–	47,830	48,756
Other grants from government and public bodies	–	1,286	–	–	1,286	1,562
From other external bodies						
Contribution to charitable activities	–	4,617	–	–	4,617	4,686
Total	1,498	52,235	–	–	53,733	55,004

Details of the income to and movement on individual funds are disclosed in note 19.

5. ANALYSIS OF COSTS OF CHARITABLE ACTIVITIES

	Staff costs £'000	Grant costs £'000 (see note 9)	Other direct costs £'000	Support costs £'000 (see note 6)	2012 total £'000	2011 (restated) total £'000
Charitable activities						
Supporting the scientific community	1,288	43,929	2,857	974	49,048	48,822
Advising the policy community	671	–	663	684	2,018	2,021
Engaging the education community	550	199	299	685	1,733	1,865
Collaborating with the international community	555	5,392	928	846	7,721	8,320
Inspiring the wider community	1,196	150	2,969	1,208	5,523	8,211
Total for costs of charitable activities	4,260	49,670	7,716	4,397	66,043	69,238

6. SUPPORT COSTS

	Press and public relations £'000	Facilities and building management £'000	Support services £'000	2012 total £'000	2011 (restated) total £'000
Costs of generating funds	28	112	183	323	351
Charitable activities					
Supporting the scientific community	85	337	552	974	637
Advising the policy community	60	237	387	684	691
Engaging the education community	60	237	388	685	614
Collaborating with the international community	74	293	479	846	670
Inspiring the wider community	106	419	683	1,208	1,332
	385	1,523	2,489	4,397	3,944
Governance	17	69	113	199	157
Total support costs	430	1,704	2,785	4,919	4,452

Facilities and building management comprises the rent and running costs (Depreciation, Insurance, Cleaning and Security) of Carlton House Terrace.

Support services comprises Finance, IT, HR, Pensions and Corporate management. Support costs are allocated using departmental salary costs as a base.

7. STAFF COSTS

	2012 £'000	2011 £'000
Salaries	5,821	5,439
Social Security costs	507	469
Pension costs	946	918
Total	7,274	6,826

Number of employees earning £60,000 pa or more

The following numbers of employees received total emoluments within the bands shown

	2012	2011
£60,001 – £70,000	2	3
£70,001 – £80,000 ¹	2	1
£80,001 – £90,000	3	2
£90,001 – £100,000 ¹	2	1
£100,001 – £110,000	–	1
£110,001 – £120,000	–	1
£140,001 – £150,000 ¹	2	–
£160,001 – £170,000	–	1
£180,001 – £190,000	1	–
£330,001 – £340,000 ²	1	–

¹ Includes redundancy payments.

² Includes back-payment of a bonus to the Chief Executive of the Royal Society Enterprise Fund Ltd that was agreed by the Remuneration Committee of the Company on 11 May 2011.

Of the number of staff disclosed in the table above, the Society made payments on behalf of 11 (2011: 9) employees in respect of the Pension and Life Assurance Plan of the Royal Society. The total amount of employer contributions paid in respect of these employees was £137,103 (2011: £100,973).

7. STAFF COSTS (CONTINUED)

The average number of employees, analysed by function was:

	2012	2011
Generating funds	5	6
Charitable activities	95	95
Support and Governance	38	39
Total	138	140

Of which the average full time equivalent was 136 (2011: 137)

8. GOVERNANCE COSTS

	2012 £'000	2011 (restated) £'000
Fellowship costs	164	158
Council and committee expenses	132	105
Auditor's remuneration:		
Audit fee	35	40
Audit fee – (Over)/Under provision prior year	(4)	19
Non audit services	6	8
Internal audit	22	20
Legal fees	57	51
Staff costs	161	133
Allocated support costs	199	158
Total	772	692

9. GRANTS

	Grants to institutions £'000	Grants to individuals £'000	2012 total £'000	2011 total £'000
Fellowships				
University Research Fellowships	–	31,735	31,735	32,013
Dorothy Hodgkin Fellowships	–	3,815	3,815	4,241
Newton International Fellowships	–	1,721	1,721	2,205
Wolfson Research Merit Award	2,575	–	2,575	2,619
Leverhulme Trust Senior Research Fellowships	–	272	272	397
Royal Society Research Professorships	–	2,499	2,499	2,509
Industry Fellowships	–	1,151	1,151	1,333
Education Schemes				
Education Research Fellowships	–	167	167	100
Partnership grants scheme	119	–	119	134
Other education grants	–	81	81	123
Other Grant Programmes				
Brian Mercer Awards	–	345	345	584
Paul Instrument Fund	–	149	149	–
Wolfson Laboratory Refurbishment grants	1,193	–	1,193	1,176
Leverhulme Royal Society Africa Awards	–	915	915	624
India-UK Scientific Seminars	–	171	171	(31)
International Exchanges	–	2,424	2,424	1,846
Theo Murphy Blue Skies Awards	–	26	26	262
Athena SWAN	–	20	20	–
DAIWA joint projects	–	48	48	28
Foundation for Science and Technology	18	–	18	28
International Council for Scientific Unions	16	–	16	17
Kavli Scientific	–	42	42	59
Other awards and prizes	–	168	168	530
Total	3,921	45,749	49,670	50,794

9. GRANTS (CONTINUED)

	Number	2012 £'000	2011 £'000
Recipients of institutional grants			
Imperial College London	31	726	421
University of Bristol	25	304	373
University of Birmingham	4	289	30
University of Oxford	17	242	389
University College London	16	233	250
University of Cambridge	11	196	312
University of Glasgow	11	188	67
University of Edinburgh	6	150	105
Bangor University	2	124	–
University of Manchester	8	87	71
University of St Andrews	5	85	64
University of Salford	1	75	–
University of Leicester	5	74	51
University of Leeds	5	65	312
University of Nottingham	5	63	61
Newcastle University	2	61	41
University of East Anglia	6	56	50
University of Durham	4	54	58
Cardiff University	5	54	81
University of Lancaster	4	51	44
University of Dundee	3	51	40
Queen Mary, University of London	1	14	365
Other organisations	56	679	690
Total	233	3,921	3,876

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

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

	2012 £'000	2011 £'000
Reconciliation of Grants payable		
Liability at 1 April	221	357
New grants awarded in year	50,805	51,707
Grants paid in year	(49,305)	(50,930)
Grants refunded to the Society	(1,135)	(913)
Liability at 31 March	586	221

All grants payable fall due within one year.

10. PAYMENTS TO TRUSTEES

	2012 £'000	2011 £'000
Remuneration	–	–

Expenses

Travel and subsistence	34	41
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Expenses were reimbursed to 24 Trustees (2011: 25 Trustees).

Indemnity Insurance

With the consent of the Charity Commission the Society has taken out Trustees' indemnity insurance. The cost of this insurance for the year was £2,500 (2011: £2,500). No claims have been made under this policy.

Grants and Awards

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

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

Professor Anthony Cheetham is a holder of a Wolfson Research Merit Award. The amount paid to the University of Cambridge in respect of the award in the year was £15,041.

Professor Alex Halliday had a no-cost extension to his Theo Murphy Blue Skies Award. No payments were made in the last financial year.

Other

Sir Paul Nurse, President of the Royal Society, has use of the Presidents flat at Carlton House Terrace.

11. FINANCIAL MEMORANDUM WITH THE DEPARTMENT OF BUSINESS, INNOVATION AND SKILLS

	2012 £'000	2011 £'000
Business, Innovation and Skills grant		
Income	47,830	48,756
Expenditure	(47,789)	(48,768)
Total	41	(12)

12. TANGIBLE FIXED ASSETS

	Kavli freehold property and improvements £'000	Kavli computers and other equipment £'000	Leasehold improvements £'000	Computers and other equipment £'000	2012 total £'000	2011 (restated) total £'000
Cost						
At 1 April 2011	17,334	643	16,377	3,696	38,050	34,588
Additions	15	252	97	364	3,462	2,021
Disposals	(45)	(1)	(46)	–	1,733	1,865
At 31 March 2012	17,304	642	16,629	3,793	38,368	38,050
Depreciation						
At 1 April 2011	384	91	4,167	3,051	7,693	6,142
Charge for year	384	92	714	299	1,489	1,551
At 31 March 2012	768	183	4,881	3,350	9,182	7,693
Net book value at 31 March 2012	16,536	459	11,748	443	29,186	30,357
Net book value at 31 March 2011	16,950	552	12,210	645	30,357	

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

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

The Group and the Charity has freehold property with a net book value of £16.5 million (2011: £16.9 million). Council believe that the value in use of the Kavli Royal Society International Centre is in excess of £16.5million (2011: £16.9 million).

13. CAPITAL COMMITMENTS

	2012 £'000	2011 £'000
Authorised and contracted for	15	234
Authorised but not contracted for	540	132
Total commitment	555	366

At the balance sheet date, £137,000 of capital commitments was authorised for refurbishment of 6-9 Carlton House Terrace, of which £15,000 had been contracted for by the year end. A further spend of £305,000 had been authorised on ICT infrastructure and Software Development. No contracts for this expenditure had been signed by the year end. £113,000 had been authorised for the historic maintenance of Chicheley Hall. No contracts for this expenditure had been signed by the year end.

14. HERITAGE ASSETS

	2012 £'000	2011 £'000
Items included at valuation at 1 April	46,184	46,039
Items included at cost at 1 April	1,006	986
Additions at valuation	27	145
Additions at cost	2	20
Valuation or cost at 31 March	47,219	47,190

The heritage assets comprise:

Printed books	13,238	13,234
Archives	22,808	22,790
Pictures, sculptures and other works of art	8,169	8,162
Other artefacts	3,004	3,004
Total	47,219	47,190

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

There were no material additions or disposals to the Heritage Assets held by the Society in 2011/12.

Five year financial summary of heritage asset transactions

	2011/12 £'000	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000
Purchases					
Printed books	4	1	–	–	–
Archives	18	84	–	–	–
Pictures, sculptures and other works of art	7	70	–	–	–
Other artefacts	–	10	1	2	–
Total Purchases	29	165	1	2	–

In 2010/11 the Society recognised £145,000 of donated heritage assets that it had received over the past five years. These assets had not previously been accounted for as only a small amount was received each year. The full amount was recognised in 2010/11. In 2011/12 donations have been recognised in the year they were received.

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

Preservation and Management

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

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

The Society's major strategic facilities for the long-term preservation of its historic archives, manuscripts and printed books are environmentally-controlled storerooms (conforming to British Standard 5454 ("Preservation of archival documents")).

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

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

15. INVESTMENTS

	2012 £'000	2011 £'000
Valuation at 1 April	166,955	162,320
Additions of investments	11,920	20,989
Disposal of investments	(13,324)	(25,603)
Net change in cash invested for trades	1,820	6,663
Investment management costs	(418)	(387)
Net cash removed	(2,866)	(6,579)
Net (loss)/gain on valuation at 31 March	(4,770)	9,392
Exchange rate gains on valuation at 31 March	74	160
Valuation at 31 March	159,391	166,955
Total historical cost at the end of the year	133,355	133,088

THE VALUATION AT 31 MARCH COMPRISES:	2012 £'000	2011 £'000
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Investments listed on a recognised stock exchange including investments and unit trusts

UK	100,179	106,875
Overseas	46,970	48,123

Other Unlisted Securities:

UK	2,892	3,449
Overseas	8,260	7,089

Cash

UK	536	864
Overseas	554	555
Total	159,391	166,955

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

At 31 March 2012 no UK equity investments exceeded 5% by value of the invested portfolio (2011: Landsdowne UK Equity Fund limited Sterling shares 7.2%).

The Society owns 100% of the issued share capital of Carlton House Terrace Development Limited (note 22). 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 22). The principal activity of the company is providing advice to the Society in its application of the Enterprise Fund.

The Society owns 100% of the issued share capital of The Royal Society Trading Limited (note 22). The principal activity of the company is to process the external activities that occur at the Kavli Royal Society International Centre.

The Society owns share capital in the following companies which are investments of the Enterprise Fund:

Novacem Limited	18.93%
Base4 Innovation Limited	7.20%
Nano-porous Solutions Limited	17.22%
Sphere Fluidics Limited	25.90%
OrganOx Limited	5.18%

15. INVESTMENTS (CONTINUED)

	2012 £'000	2011 £'000
Funds are invested		
Specific investments	1,594	2,176
Pooled investments	157,797	164,779
Total	159,391	166,955

Investments in associate companies

Following an acquisition of shares on 29 September 2011, the Society owns 25.9% of the issued share capital of Sphere Fluidics Limited a company which undertakes research and development into discovery systems that can rapidly detect and isolate new cell strains and molecules from large background populations.

	2012 £'000	2011 £'000
The Society's investment in Sphere Fluidics is as follows		
Valuation at 1 April	–	–
Share of net liabilities acquired during the year	(43)	–
Goodwill acquired during the year	293	–
Share of net loss since acquisition	(7)	–
Valuation at 31 March	243	–

16. DEBTORS

	2012 receivable within one year £'000	2012 receivable after one year £'000	2011 receivable within one year £'000	2011 receivable after one year £'000
Trade debtors	1,331	–	2,566	–
Grants receivable	700	2,700	700	3,400
Legacy receivable	2,812	–	204	–
Other debtors	71	–	102	–
Accrued income	142	–	419	–
Prepayments	181	–	142	–
Total	5,237	2,700	4,133	3,400

Included in the Group debtors are trade debtors of £49,000 (2011: £61,000) belonging to Royal Society Trading Ltd. All other debtors relate to the Charity.

17. CREDITORS

	2012 due within one year £'000	2012 due after one year £'000	2011 due within one year £'000	2011 due after one year £'000
Publications advanced sales	2,836	–	2,448	–
Grants payable	586	–	221	–
Trade creditors	3,585	–	655	–
Other creditors	562	181	762	246
Bank Loan	–	–	7,000	–
Accruals and deferred income	5,749	–	4,516	–
Total	13,318	181	15,602	246

Included in the Group creditors are other creditors of £266,000 (2011: £194,000) relating to Royal Society Trading Ltd. All other creditors relate to the Charity.

The £7 million bank loan from Unity Bank was paid off during the financial year.

	2012 £'000	2011 £'000
Reconciliation of deferred income		
Deferred income as at 1 April	3,766	5,962
Income deferred in year	3,385	1,197
Income released to SOFA in year	(2,403)	(3,393)
Deferred income as at 31 March	4,748	3,766

18. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds £'000	Restricted funds £'000	Expendable endowment funds £'000	Permanent endowment funds £'000	2012 total funds £'000	2011 total funds £'000
Funds' balances at 31 March 2012 are represented by:						
Tangible fixed assets	29,186	–	–	–	29,186	30,357
Heritage assets	47,219	–	–	–	47,219	47,190
Investment in associated company	–	243	–	–	243	–
Investments	13,912	13,850	40,498	91,131	159,391	166,955
Net current assets/(liabilities)	356	–	–	–	356	(5,769)
Creditors: Due after one year	(181)	–	–	–	(181)	(246)
Defined benefit pension scheme liability	(7,123)	–	–	–	(7,123)	(2,288)
Net assets	83,369	14,093	40,498	91,131	229,091	236,199

The net current liabilities in 2011 were funded by investments, which could be realised to meet the net liabilities as they fell due for payment.

19. MOVEMENTS ON TRUST AND SPECIFIC FUNDS IN YEAR

	Brought forward 1/4/2011 £'000	Income £'000	Expenditure £'000	Transfers £'000	Investment and actuarial gain/(loss) £'000	Carried forward 31/3/2012 £'000
Permanent Endowment Funds						
General Trust Fund	5,433	–	(11)	–	(131)	5,291
International Fund	1,132	–	(2)	–	(28)	1,102
Life Sciences Fund	15,460	–	(30)	–	(376)	15,054
Mathematics and Physical Sciences Fund	9,546	–	(19)	–	(232)	9,295
RW Paul Instrument Fund	10,189	–	(20)	–	(248)	9,921
Project Funds	6	–	–	–	–	6
Theo Murphy UK Fund	48,838	–	(96)	–	(1,187)	47,555
Theo Murphy Australia Fund	3,314	62	(28)	–	(441)	2,907
Total Permanent Endowment Funds	93,918	62	(206)	–	(2,643)	91,131
Expendable Endowment Funds						
General Trust Fund	20,903	–	(40)	(297)	(502)	20,064
International Fund	1,295	–	(3)	(53)	(31)	1,208
Life Sciences Fund	10,455	–	(21)	(538)	(254)	9,642
Mathematics and Physical Sciences Fund	10,268	–	(20)	(414)	(250)	9,584
Total Expendable Endowment Funds	42,921	–	(84)	(1,302)	(1,037)	40,498
Restricted Funds						
International Fund	–	54	(12)	(38)	(1)	3
Life Sciences Fund	–	571	(423)	(144)	(3)	1
Mathematics and Physical Sciences Fund	–	439	(194)	(238)	(6)	1
Enterprise Fund	6,760	379	(428)	(1)	(602)	6,108
RW Paul Instrument Fund	384	233	(141)	(3)	(11)	462
Andrew Fund	–	1,327	–	–	–	1,327
Noreen Murray Fund	–	2,000	–	–	–	2,000
Nutrition in old age fund	–	680	–	–	–	680
Project Funds						
Wolfson Lab Refurbishment	–	1,206	(1,193)	(13)	–	–
Other	989	4,981	(4,584)	(706)	(1)	679
BIS Science and Research	(15)	46,332	(46,291)	(26)	–	–
Deferred refurbishment funds	2,638	–	(160)	–	–	2,478
Theo Murphy UK Fund	121	1,084	(373)	(812)	(20)	–
Theo Murphy Australia Fund	116	447	(209)	–	–	354
Total Restricted Funds	10,993	59,733	(54,008)	(1,981)	(644)	14,093

19. MOVEMENTS ON TRUST AND SPECIFIC FUNDS IN YEAR (CONTINUED)

	Brought forward 1/4/2011 £'000	Income £'000	Expenditure £'000	Transfers £'000	Investment and actuarial gain/(loss) £'000	Carried forward 31/3/2012 £'000
Unrestricted Funds						
General Fund	–	577	(118)	124	(11)	572
Deferred refurbishment funds	2,694	–	(114)	–	–	2,580
BIS Science & Research	–	1,498	(1,498)	–	–	–
Revaluation Reserve	46,036	–	–	–	–	46,036
General Purposes	39,638	8,968	(12,190)	3,159	(5,394)	34,181
Total Unrestricted Funds	88,368	11,043	(13,920)	3,283	(5,405)	83,369
Total for all trusts						
General Trust Fund	26,336	577	(169)	(173)	(644)	25,927
International Fund	2,427	54	(17)	(91)	(60)	2,313
Life Sciences Fund	25,915	571	(474)	(682)	(633)	24,697
Mathematics and Physical Sciences Fund	19,814	439	(233)	(652)	(488)	18,880
RW Paul Instrument Fund	10,573	233	(161)	(3)	(259)	10,383
Enterprise Fund	6,760	379	(428)	(1)	(602)	6,108
Andrew Fund	–	1,327	–	–	–	1,327
Noreen Murray Fund	–	2,000	–	–	–	2,000
Nutrition in old age fund	–	680	–	–	–	680
Project Funds						
Wolfson Lab Refurbishment	–	1,206	(1,193)	(13)	–	–
Other	995	4,981	(4,584)	(706)	(1)	685
BIS Science and Research	(15)	47,830	(47,789)	(26)	–	–
Deferred refurbishment funds	5,332	–	(274)	–	–	5,058
Theo Murphy UK Fund	48,959	1,084	(469)	(812)	(1,207)	47,555
Theo Murphy Australia Fund	3,430	509	(237)	–	(441)	3,261
Revaluation Reserve	46,036	–	–	–	–	46,036
General Purposes	39,638	8,968	(12,190)	3,159	(5,394)	34,181
Total	236,200	70,838	(68,218)	–	(9,729)	229,091

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

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

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

19. MOVEMENTS ON TRUST AND SPECIFIC FUNDS IN YEAR (CONTINUED)

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

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

The 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 Andrew Fund has been established following a generous legacy from Dr Sydney Percy Smith Andrew FEng FRS to be used for the purpose of promoting and establishing research for the advancement of natural knowledge particularly in interdisciplinary fields of understanding.

The Murray Fund has been established following a generous legacy from Lady Noreen Murray FRS for the support of research in neurological science.

The Society has accepted a donation to be applied to the study of nutrition among the elderly.

The Wolfson Laboratory Fund is a scheme funded by the Wolfson Foundation to provide grants for the renovation and modernisation of university laboratories for the conduct of high quality research.

The Society receives a Parliamentary Grant from the Department for Business, Innovation and Skills (BIS). This supports work on scientific excellence and innovation, science and mathematics education, international activities and science communication activities.

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

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

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.

The Transfers between projects and funds include administration charges of the investments held in the trusts, administration costs reclaimed from projects where applicable, notional interest paid to projects in respect of income held during the year, any income released to the general reserves at the end of projects (where allowed under the gift or grant agreement) and the transfer of income and expendable capital from the trusts in line with the agreed 4% draw on capital.

20. FINANCIAL COMMITMENTS

At 31 March 2012 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 £495,000 (2011: £495,000) per annum. The next rent review will be on 5 January 2025.
- Agreements and commitments to fund research professorships/fellowships and other grants totalling £98 million (2011: £102 million). Of these, £38 million (2011: £40 million) are due in less than one year, and £60 million (2011: £62 million) in between two and five years. There are no grants payable in more than 5 years. All of these grants are treated as liabilities of future periods to which they are time related and will be financed by specific grants or other income receivable in those periods.
- The Society has entered into investment contract commitments totalling £1.7 million (£2011: £5.8 million) payable at dates yet to be agreed.

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

The most recent FRS 17 valuation of the Plan was carried out as at 31 March 2012. The valuation of the Plan used the projected unit method and was carried out by Barnett Waddingham, professionally qualified actuaries.

21. PENSION OBLIGATIONS (CONTINUED)

The FRS 17 liability does not include any allowance for discretionary benefits. The Employer expects to make contributions to the Plan during the year to 31 March 2013 of around £900,000.

Contributions payable by the Society during the year were at the rate of 16.3% of pensionable salaries. Members contributions were 7%. An additional contribution of £0.5 million to reduce the deficit was paid into the Plan by the Society in December 2011 (December 2010: £1.043 million). Life cover and dependents' pensions in respect of death in service are provided by additional insurance premiums.

The Trustees of the Plan recently received legal advice stating that, following the Government's recent change to statutory minimum pension increases, revaluation of excess pension in deferment will be linked to CPI rather than RPI going forward. An assumption for CPI inflation is therefore required for this year's disclosures.

The Principal assumptions used to calculate Scheme liabilities include:

	2012 % p.a.	2011 % p.a.
Inflation (RPI)	3.50	3.80
Inflation (CPI)	2.60	n/a
Salary escalation	4.50	4.80
Increase to pensions in payment*		
subject to LPI minimum 4%	4.20	4.30
subject to LPI	3.40	3.70
Statutory revaluation	2.60	3.80
Discount rate (pre-and-post-retirement)	4.70	5.50
Pre-retirement mortality table	S1NA	S1NA
Post-retirement mortality table	S1NA	S1NA
Post-retirement mortality projection	Long cohort based on individual year of birth	Long 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:

	2012	2011
Male currently aged 40	28.5 years	28.5 years
Female currently aged 40	31.1 years	31.1 years
Male currently aged 60	27.3 years	27.2 years
Female currently aged 60	30.1 years	30.0 years

21. PENSION OBLIGATIONS (CONTINUED)

The assets in the scheme and the expected rates of return were:

	Long term rate of return expected at 31/3/2012* % p.a.	Value at 31/3/2012 £'000	Long term rate of return expected at 31/3/2011* % p.a.	Value at 31/3/2011** £'000
Scheme's assets	5.1%	–	6.0%	–
Equities	5.6%	18,799	6.9%	17,852
Bonds	4.1%	2,841	3.8%	2,771
Gilts	2.5%	1,027	3.8%	916
Cash	0.5%	295	0.5%	1,256
Annuity policies	4.7%	8,127	5.5%	7,613
Total market value of scheme assets	–	31,089	–	30,408
Present value of scheme liabilities	–	38,212	–	32,696
(Deficit)/surplus in the scheme	–	(7,123)	–	(2,288)
Related deferred tax asset/liability	–	–	–	–
Net pension liability	–	(7,123)	–	(2,288)

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

** These values have been restated this year to allow for the inclusion of the annuity policies as an asset and a liability. This has not been taken into account elsewhere when stating last year's results.

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

Reconciliation of present value of scheme liabilities

	Value at 31/3/2012	Value at 31/3/2011
1 Apr *	32,696	23,202
Current service cost	878	941
Contributions by Scheme participants	247	286
Past service cost	186	–
Interest cost	1,789	1,324
Benefits paid	(1,672)	(316)
Actuarial (gain)/loss (excluding the actuarial gain/(loss) on assets)	4,088	(353)
Change due to settlements or curtailments	–	–
31 Mar	38,212	25,084

*The liability value at the start of the year has been restated to include the value of annuity policies held by the Scheme.

21. PENSION OBLIGATIONS (CONTINUED)

Sensitivity analysis of scheme liabilities

The sensitivity of the present value of scheme liabilities to changes in the principle assumptions used is set out below.

	Change in assumption	Impact on scheme liabilities
Discount rate	-0.10%	742
Rate of inflation*	-0.10%	(420)
Rate of increase in salaries	-0.10%	(132)
Mortality	1% floor on mortality improvements	1,012

* Other assumptions linked to the rate of inflation are also assumed to change appropriately.

Reconciliation of fair value of scheme assets

	Value at 31/3/2012 £'000	Value at 31/3/2011 £'000
1 Apr*	30,408	18,673
Expected return on assets	1,787	1,229
Contributions by the employer	1,183	1,711
Contributions by scheme participants	247	286
Benefits paid	(1,672)	(316)
Actuarial gain/(loss) on assets only	(864)	1,212
Change due to settlements or curtailments	–	–
31 Mar	31,089	22,795

* The asset value at the start of the year has been restated to include the value of annuity policies held by the Scheme.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Equity returns are based on the selection of an appropriate risk premium above the risk-free rate which is measured in accordance with the yield on government bonds.

The actual return on scheme assets in the year was £0.9 million (2011: £2.4 million).

Analysis of the amount charged to the Statement of Financial Activities – operations

	Value at 31/3/2012 £'000	Value at 31/3/2011 £'000
Current Service cost	(878)	(941)
Interest cost	(1,789)	(1,324)
Expected return on assets	(1,787)	1,229
(Gain)/losses on settlements or curtailments	–	–
Past Service cost	(186)	–
Effect of limit on recognisable surplus	–	–
Total Charge	(1,066)	(1,036)

Actuarial gains and losses

The cumulative amount of actuarial gains/(losses) recognised in the SOFA is £(4,952,000) (2011: £1,565,000). This figure includes £1.1 million due to the scheme's adoption of CPI for pension increase, following a government announcement. The reduction in expected liability has been recognised as a change in actuarial assumption in the SOFA.

21. PENSION OBLIGATIONS (CONTINUED)

Actuarial valuation

The full actuarial valuation at 1 January 2010 showed an increase in the deficit from £1,782,000 to £2,791,000. It has been agreed with the Trustees that contributions to make good the deficit will be payable as follows:

- £1,043,000 on or before 31 December 2010;
- £500,000 on or before 31 December 2011;
- £300,000 on or before 31 December 2012; and
- £236,000 on or before each 31 December in 2013 to 2019 inclusive.

Amounts for current and previous four periods

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Defined benefit obligation	38,212	25,084	23,202	15,774	16,477
Plan assets	31,089	22,795	18,673	12,920	16,321
Deficit	(7,123)	(2,288)	(4,529)	(2,854)	(156)
Experience adjustments on plan assets:	(864)	1,212	3,372	(4,615)	(1,370)
Experience adjustments on plan liabilities:	(663)	589	975	(132)	(99)
Change in assumptions used to value plan liabilities:	(3,425)	(236)	(6,760)	2,157	3,881
Total amount recognised in the SOFA	(4,952)	1,565	(2,413)	(2,590)	2,412

22. SUBSIDIARY UNDERTAKINGS AND ASSOCIATED COMPANIES

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 Trading Limited. The Royal Society Trading Limited company has been set up to process all external activities that occur at the Kavli Royal Society International Centre. The Company started trading on 1st June 2010.

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 2012.

The Society also owns 25.9% of the £0.01 called-up and issued share capital of Sphere Fluidics Limited. This company's principal activity during the year was the research and development of discovery systems that can rapidly detect and isolate new cell strains and molecules from large background populations. The Society has acquired this shareholding through the Enterprise Fund as part of its investment in innovative earlystage businesses emerging from the science base in the UK and elsewhere.

Results of the Royal Society Enterprise Fund Limited Period Ended 31 March 2012

	2012 £'000	2011 £'000
Trading income	800	388
Cost of sales	(800)	(388)
Result for the period	–	–
Total funds brought forward at 1 April	–	–
Total funds carried forward at 31 March	–	–

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

22. SUBSIDIARY UNDERTAKINGS AND ASSOCIATED COMPANIES (CONTINUED)

Results of the Royal Society Trading Limited Period Ended 31 March 2012

	2012 £'000	2011 £'000
Trading income	563	200
Cost of sales	(319)	(126)
Gross Profit	244	74
Administrative expenses	(58)	(20)
Charitable donation to the Royal Society	(186)	(54)
Result for the period	-	-
Total funds brought forward at 1 April	-	-
Total funds carried forward at 31 March	-	-

Balance Sheet of the Royal Society Trading Limited Period Ended 31 March 2012

	2012 £'000	2011 £'000
Current assets		
Debtors	49	61
Cash at bank and in hand	217	134
	266	195
Creditors: amounts falling due within one year	(266)	(195)
Net Current assets	-	-
Net assets	-	-
Capital and reserves		
Called up share capital	-	-
Profit and loss account	-	-
Shareholders' funds	-	-

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

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

The Royal Society's interest in the results of Sphere Fluidics Limited from 29 September 2011 to 31 March 2012

	2012 £'000	2011 £'000
Income	48	-
Expenditure	(53)	-
Operating loss before interest and taxation	(5)	-
Interest receivable and tax on loss on ordinary activities	(2)	-
Result for the year	(7)	-
Total funds brought forward at 29 September	-	-
Total funds carried forward at 31 March	(7)	-

22. SUBSIDIARY UNDERTAKINGS AND ASSOCIATED COMPANIES (CONTINUED)

The Royal Society's interest in the Balance Sheet of Sphere Fluidics Limited as at 31 March 2012

	31/03/2012 £'000	31/03/2011 £'000
Fixed assets	2	–
Current assets	52	–
Creditors: amounts falling due within one year	(1)	–
Net Current assets	51	–
Creditors: amounts falling due after one year	(64)	–
Net assets	(11)	–
Capital and reserves		
Share capital	–	–
Share premium account	84	–
Profit and loss reserve	(95)	–
Shareholders' funds	(11)	–

Sphere Fluidics Limited has called up share capital of £120.

23. CONNECTED CHARITIES – THE WOLFSON RESEARCH PROFESSORSHIP OF THE ROYAL SOCIETY

	2012 £'000	2011 £'000
Restricted Funds		
Incoming resources:		
Dividends and interest	41	46
Resources expended:		
Charitable grants to the Royal Society	(41)	(46)
	–	–
Permanent Endowment Funds		
Total funds brought forward at 1 April	1,042	1,016
Total funds carried forward at 31 March	1,047	1,042

24. OTHER FUNDS

The Society is the beneficiary of the following funds:

	2012 investment market value £'000	2011 investment market value £'000
Curl Fund* The investments for this fund are held and managed by the New Zealand Public Trust Office	84	84
Horace Le Marquand and Dudley Bigg Trust The investments of the permanent endowment of the Trust are held and managed by Rensberg Sheppards. The Trustees are Investec Trust (Jersey) Limited.	431	441

* The Curl Fund has been valued using the most recent valuation received by the New Zealand Public Trust office dated 31st March 2010.

The Royal Society

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

The Society's strategic priorities are:

- Promoting science and its benefits
- Recognising excellence in science
- Supporting outstanding science
- Providing scientific advice for policy
- Fostering international and global cooperation
- Education and public engagement

For further information

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Founded in 1660, the Royal Society is the independent scientific academy of the UK, dedicated to promoting excellence in science

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