

Trustees' Report & Accounts

April 2010 – March 2011





**The Royal Society of Edinburgh
contributes to the social, cultural
and economic wellbeing of
Scotland in the 21st Century**

Trustees' Report & Accounts 2010 – 2011

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The Trustees are the Council Members elected during the financial year (1 April 2010 to 31 March 2011)

Council

	Until 4 October 2010	From 4 October 2010
President	Lord WILSON of TILLYORN KT GCMG	Lord WILSON of TILLYORN KT GCMG
Vice-Presidents	Professor J D BEGGS CBE Professor T S DURRANI OBE Mr J F McCLELLAND CBE Professor H L MacQUEEN	Professor J D BEGGS CBE Mr J F McCLELLAND CBE Professor H L MacQUEEN Professor W SIBBETT CBE
General Secretary	Professor G S BOULTON OBE	Professor G S BOULTON OBE
Treasurer	Mr E BROWN CBE	Mr E BROWN CBE
Fellowship Secretary	Professor P H HOLMES OBE	Professor P H HOLMES OBE
Councillors	Sir John ARBUTHNOTT Professor A DOMINICZAK OBE Dr I G HALLIDAY CBE Professor S L MANNING Professor R C CRAIG OBE	Professor A DOMINICZAK OBE Dr I G HALLIDAY CBE Professor S L MANNING Professor R C CRAIG OBE Professor S ROWAN MBE

Executive Board

	Until 4 October 2010	From 4 October 2010
General Secretary and Chair	Professor G S BOULTON OBE	Professor G S BOULTON OBE
Treasurer	Mr E BROWN CBE	Mr E BROWN CBE
Curator	Professor J D MACMILLAN	Professor J D MACMILLAN
Research Awards Convener	Professor A MILLER	Professor A MILLER
International Convener	Sir David EDWARD PC KCMG	Sir David EDWARD PC KCMG
Programme Convener	Professor J S RICHARDSON	Professor J S RICHARDSON
Young People's Programme Convener	Professor M BOWNES OBE	Professor M BOWNES OBE
Chair of RSE Scotland Foundation	Professor J R COGGINS OBE	Professor J R COGGINS OBE
Education Committee	Professor S A BROWN OBE	Professor S A BROWN OBE
Chief Executive	Dr W DUNCAN	Dr W DUNCAN
Director of Finance	Miss K F M ELLIS	Miss K F M ELLIS

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Structure, governance and management

The RSE Council, chaired by the President, comprises thirteen Trustees, including four Vice-Presidents, the General Secretary, the Treasurer, the Fellowship Secretary and five ordinary members. Subject to annual re-election, Council members serve for three years, except for the General Secretary and Treasurer, who may serve for up to four years. All are unpaid.

The Council is responsible for the strategic direction and policies of the RSE, and normally meets quarterly.

An Executive Board has delegated responsibility from the Council for delivery of the RSE's activities. It is chaired by the General Secretary, and also has as its elected members, the Treasurer, the Convenors of the main operational committees and the Curator, as well as the Chair of the RSE Scotland Foundation and senior executive staff. The Executive Board normally meets quarterly and reports to the Council.

The Council members and the office-bearers serving on the Executive Board are all elected annually by the Fellowship in a postal ballot. New members of Council and the Executive Board are given an extensive induction through discussions with the Chief Executive and senior staff.

The Audit & Risk Committee (see Risk Management), Fellowship Committee, Investment Committee and Prizes & Medals Committee report directly to Council.

Reporting to the Council through the Executive Board are operational committees, including the Education Committee, International Committee, the Business Innovation Forum, various Research Awards Committees, the Meetings Committee and the Young People's Committee. These Committees largely, but not exclusively, comprise Fellows of the RSE and are concerned with the operational delivery of the RSE's varied activities. All Fellows are actively encouraged to participate in the RSE's activities.

Two other charitable trusts founded by and closely connected to the RSE, the BP Research Fellowship Trust (the BP Trust) and the RSE Scotland Foundation (the Foundation), are included in the consolidated financial statements. The Foundation plays a leading role in the RSE's public outreach activities and manages the premises in George Street. Its Trustees are appointed for three years by the RSE Council.

Following a transfer of assets in 2009, the Foundation is also responsible for managing the programme of activities in support of research in Scotland, funded by the Caledonian Research Fund.

The BP Trust was created following a donation of £2m in 1988 from BP to support a scheme of post-doctoral research fellowships in specified subjects and which are awarded at the sole discretion of the RSE. The RSE President, General Secretary and Treasurer are the BP Trustees, *ex officio*.

Statement of Council's responsibilities

The Council is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under charities legislation applicable in Scotland, the Council is required to prepare accounts for each financial year that give a true and fair view of the state of affairs of the RSE and of the incoming resources and application of resources of the RSE for that period. In preparing these financial statements, the Council is required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles of the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the RSE will continue in operation.

The Council is responsible for keeping accounting records which disclose with reasonable accuracy at any time the financial position of the RSE and which enable it to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and RSE's own Laws. It is also responsible for safeguarding the assets of the RSE and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Risk management

The Audit and Risk Committee, operating on a joint basis with the Foundation and the BP Trust, reports directly to the Council, the Foundation and the BP Trust. Its Chair, who cannot be a Trustee or other Office Bearer of the RSE, is invited to attend Council meetings as an observer. Its remit includes keeping under review the effectiveness of internal control and risk management systems of the RSE and its connected charities. The Council believes that the existing systems and the structure of decision-taking and reporting through senior staff, the Executive Board and the Council continue to provide assurance that risks are assessed and carefully managed.

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Objectives and Activities

Mission and Role

In keeping with its Royal Charter, the mission of the RSE is to *provide public benefit through the continued advancement of learning and useful knowledge*. To fulfil this, it promotes learning and puts the multidisciplinary expertise of its Fellows to work for the good of Scotland and its people. Its role is to:

- promote and recognise excellence in, and its application to, all areas of learning
- be a source of independent and expert advice on matters affecting the wellbeing of Scotland and its people
- advance public discussion on matters of national and international importance

The difference the RSE aims to make

All of the Society's activities aim to contribute to the following public benefit outcomes:

- enhancing the capacity of world-class science and culture researchers working in Scotland
- increasing Scotland's research and development connections internationally
- improving connections between business and academia
- enhancing the capacity of school-age children to adopt science as a career
- enhancing the public's understanding of science and culture issues
- informing and influencing public policy decisions

Strategic Priorities

The Society seeks to make a difference through its programmes of Core Public Benefit, Fellowship and Support services. Overarching these are the following strategic priorities:

- developing partnerships and connections with others
- providing independent advice on major issues affecting public policy
- developing arts and humanities activities and their interface with science
- broadening public engagement
- diversifying funding sources

Overview

The result for the year on page 13 of £0.327m includes two **non-recurring items** – an initial payment of a **legacy from Dr Gethin Lewis of £62,500** and an **exceptional credit in respect of pension accounting of £240,000**. The latter item arises mainly from the Lothian Pension Fund revaluing pension liabilities using CPI rather than RPI as an inflation measure. **The underlying financial outcome for the year was a surplus of £19,000**, an improvement on the budget expectation of a modest deficit.

	£'000
Total net incoming resources	327
Less:	
Legacy	(62)
Appeal income	(6)
Exceptional pension credit	(240)
Surplus on recurring activities	19

The highlights of the successful year and which are detailed in the report include:

- **Award of a total of six Scottish Government Personal Research Fellowships**, each of up to five years length, also eligible for the Marie Curie COFUND travel funding awarded in 2008. There are now a total of 17 Personal Research Fellows in post
- **Award of a further 12 Enterprise Fellowships** throughout the UK
- **Arts & Humanities awards supported by Scottish Government** including 2 Major Research grants
- **Launch of a major Inquiry Report on Facing up to Climate Change**
- **The report on Digital Scotland**, setting out strategic priorities for Scotland's digital future
- **Live Webcast by the BBC of the schools Christmas lecture by Allan Little** on *Reporting the World in an Age of Conflict*
- **RSE@Dumfries & Galloway** an ongoing programme of activities across the Dumfries & Galloway region
- **Medieval week** a programme of eight lectures over four days in partnership with the British Academy
- **Award of the final Gannochy Trust Innovation Award** to Matt McGrath of Aircraft Medical, which has developed the world's first portable video laryngoscope
- **The first in a series of seminars held in partnership with the French Embassy and the Collège de France** for early-career French and Scottish scientists in areas of science where Scotland and France have strengths
- **Completion and dissemination of the chemistry exemplification materials** in support of the Curriculum for Excellence
- **Eight corporate partners continued** as Friends of the Society

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Achievements in the year

This section describes the achievements of RSE, the Foundation and the BP Trust, reflecting the fact that the Financial Statements are presented on a consolidated basis for this Group of connected charities.

The performance of the RSE and its connected charities in the year, as compared to the output targets set in the Operational Plan, is reported quarterly to the Executive Board, and thereafter to RSE Council and to the Trustees of the other connected bodies. These reports have again shown that the majority (>95%) of the targets were reached or exceeded. In many areas, additional targets, not in the initial Operational Plan were also delivered.

The core public benefit programme activities are described in more detail below, according to the outcomes to which they contribute.

1 Enhancing the capacity of world-class science and culture researchers working in Scotland

RSE Research Awards continued to support some of the most outstanding young scientists and innovators working in Scotland today. The Research Fellowships Awards Programme successfully enhance the capacity of world-class science and culture researchers working in Scotland; and increase Scotland's research and development connections internationally. It creates conditions that attract those with outstanding potential conducive to becoming research leaders, to establish their career in Scotland and make long-term contributions to the Science, Technology, Engineering and Mathematics base and its application in Scotland. It provides scope to place special emphasis on areas of research key to the well-being of Scotland; for example energy, environment and biosciences and complements similar programmes available on a UK-wide basis from the Royal Society, the Royal Academy of Engineering, Research Councils and major Research Charities. It is only through valuable partnerships with key bodies such as BP, the Caledonian Research Foundation, the Lloyds TSB Foundation for Scotland and the Scottish Government that we were able to provide these awards and we offer our sincere thanks to each of these partners, for their continuing support.

The following awards in science were made during the year:

- One new five- year BP Personal Research Fellowships from 11 applicants was awarded
- Six Personal Research Fellowships were awarded from 54 applicants and five started during the year
- Three Support Research Fellowships were awarded from eight applicants
- seven CRF European Visiting Research Fellowships in Arts, Humanities & Social Sciences
- Cormack awards: one Undergraduate Prize, one Postgraduate Prize and six Vacation Research Scholarships plus one Piazzi Smyth Vacation Scholarship
- six Lessells Travel Scholarships

The Scottish Government-funded Personal Research Fellowship scheme now offers six, five-year fellowships per year and is the largest fellowship scheme administered by the RSE for postdoctoral researchers. The research fellowships lever benefits for Scottish research – since 2003 £6.1m of support provided for fellowships has enabled more than £46.8m of further research funding to be obtained by research fellows.

Also supported by Scottish Government grant, the

Arts & Humanities programme supported the award of:

- six Research Workshops
- nine Small Research Grants
- four Research Networks
- two Major Research Grants

Two existing Research Networks were supported in their second year of a two-year grant.

The Major Research Grants were awarded for the first time this year to support a new Edinburgh Edition of the *Collected Works of Robert Louis Stevenson* and the cataloguing, exhibition and re-interpretation of 'Turkey red' and other decorative textile collections held at the National Museums of Scotland.

Since its inception in 2007 this programme has enabled 57 individuals to develop links with people and organisations they would not otherwise have easily been able to work with. Early evidence shows that the objective of improving understanding of human culture past and present is being met by setting in motion long-term dialogue, both interdisciplinary and inter-institutional, across Scotland and beyond, involving artists, curators, art historians, librarians, archivists, scientists and research students. An independent evaluation of the scheme so far is planned for 2011–12.

The **Royal Medals** of the Royal Society of Edinburgh are its most prestigious award, recognising outstanding research excellence and scholarship. The 2010 medals were awarded, with the approval of Her Majesty The Queen, to **Professor Sir Fraser Stoddart FRS HonFRSE**, for his outstanding contribution to chemistry, and in particular the area of molecular nanotechnology; and **Dr James MacMillan CBE FRSE**, for his outstanding contribution to music in Scotland and beyond. The Medals were presented by **HRH The Duke of Edinburgh** at a ceremony at the Royal Society of Edinburgh.

The **IEEE/RSE/Wolfson, James Clerk Maxwell Award** for 2010 was awarded to **Dr Amar G. Bose FIEEE** – founder of Bose Corporation and developer of advanced Electronic Systems for sound and entertainment – for his outstanding contributions to consumer electronics in sound reproduction, industrial leadership and engineering education.

2 Increasing Scotland's research and development connections internationally

This programme seeks to increase Scotland's research and development connections internationally; and increase the number of world-class science and culture researchers working in Scotland. It helps create conditions for talented people to live, learn, visit, work and remain in Scotland; and supports Scotland's reputation as a distinctive global identity, an independent-minded and responsible nation at home and abroad and confident of its place in the world.

Since 2003 Scottish Government funding has supported the establishment of formal Memoranda of Understanding between the RSE and 12 overseas sister Academies, and also supported the development and maintenance of relationships and activities with other overseas Academies. Based on the good relationships developed, the Bilateral and Open exchange schemes support researcher exchanges that lead to collaborative projects and result in further research funding from other sources. A particularly strong part of the programme, which cements relationships and collaborations are the joint research projects run over two years between Scottish and overseas Institutes (currently the **National Natural Science Foundation of China**), supporting longer-term collaborations and leveraging further funding.

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Achievements in the year *(continued)*

During the year 39 Bilateral and 20 Open Exchange Scheme grants were awarded, which amounted to 186.5 person weeks of researcher support (for visits between Scotland and over 20 countries worldwide). Seven new joint projects with the NSFC were awarded for two years from Spring 2011 in the area of information science and 12 existing joint projects in engineering and public policy, and biological sciences were supported in their first and second years. Funding was also awarded for a collaboration between the University of Stirling and the Institute of Automation, The **Chinese Academy of Sciences** to support a Scotland–China Higher Education Research Partnership for PhD Studies in the area of Telecommunications and Information Technologies.

In partnership with the **French Embassy** in London, the University of Edinburgh and the Collège de France, a seminar series of 8 events entitled *Seven Keys to the Digital Future* was held in October 2010 as the first stage of a three-year collaboration. The collaboration will consist of events run for early-career French and Scottish scientists in areas of science where there is excellence in both France and Scotland. The purpose of the seminars is to explore and publicly present areas of science where both Scotland and France have strengths and to stimulate Franco-Scottish collaboration in science.

In November 2010, the **Rt Hon Lord Patten of Barnes CH** delivered the annual **MacCormick European Lecture** entitled *European Foreign Policy – is it Desirable and Possible?*

3 Improving connections between business and academia

The Enterprise Fellowship schemes run by the RSE encourage commercialisation of technology-based business ideas from academic institutions into spin-out companies. The schemes help create sustainable companies with high-value jobs that make a positive contribution to the economy in the long term. The RSE administers three Enterprise Fellowship Schemes, funded separately by **Scottish Enterprise (SE)**, the **Science and Technology Facilities Council (STFC)** and the **Biotechnology and Biological Sciences Research Council (BBSRC)**.

The Enterprise Fellows selected demonstrate the entrepreneurial spirit needed to create a thriving business from a research idea. What the fellowship offers is support to develop their business skills, together with introductions to mentors, potential collaborators, investors and other specialists to help get their businesses firmly established.

The RSE/SE Enterprise Fellowships programme, which aims to appoint 60 Fellowships over five years has appointed 29 over the first three years. The fifth round took place in Spring 2010 and three Fellows were appointed who took up post in October 2010. The sixth round took place in Autumn 2010 and five fellows were appointed who took up post in Spring 2011. The Scottish Enterprise funded Fellowships have created 61 (64% survival rate) companies which in the last five years have secured £51m of further investment for the £5.5m funding given.

Both of the Research Council schemes operate on a UK-wide basis and encourage the commercialisation of research previously funded by BBSRC and STFC. The BBSRC scheme attracted an encouraging number of applications and, following a rigorous selection process, one BBSRC Enterprise Fellow took up post in October 2010 with another taking up post in Spring 2011. Two STFC Enterprise Fellowships awarded in June 2010 began in October 2010.

Since 2003, with the support of the **Gannochy Trust**, the RSE has awarded an annual innovation award of £50,000 to recognise the best of Scotland's young innovators. The 2010 recipient was **Matt McGrath**, founder of life sciences firm Aircraft Medical, which has developed the world's first fully portable video laryngoscope. This technological innovation, developed in Scotland, is designed to address the risk of failure to deliver oxygen to a patient once they have received a general anaesthetic prior to surgery and it has already been used in over 250,000 cases around the world.

This was the final year of the award and the RSE is extremely grateful to the Gannochy Trust for its generous support, which resulted in us being able to recognise the work of seven highly innovative and entrepreneurial individuals. Moreover, this support has helped contribute to Scotland's well-being through generating around £4 million of added value for the Scottish economy, as evidenced by an independent evaluation of the programme.

RSE Business Innovation Forum

The Business Innovation Forum identified the crucial role of national infrastructure in supporting the national economy, with powerful digital networks being increasingly vital parts of this infrastructure, and set up a working group to look at the issues. In October 2010, the RSE published a report entitled *Digital Scotland*, setting out why Scotland's digital future is a crucial issue, why Scotland needs to act, and what needs to be done. The Scottish Government's strategy for "Scotland's Digital Future", published in March 2011, reflected recommendations made in the *Digital Scotland* report.

In December 2010 the Forum held a joint event with the **Swiss Embassy** on *Stimulating Innovation*. This compared the experiences of stimulating innovation in Scotland and Switzerland, with a view to helping improve innovation policy in Scotland by learning from Switzerland's successful approaches. The event was also used as an opportunity to launch the RSE's *Innovation Friendly Scotland* advice paper, which identified key priorities for the support of business innovation development in Scotland.

4 Enhancing the capacity of school-age children to adopt science as a career

The schools programme continues to use RSE Fellows and other experts to share their knowledge and understanding of science and culture with pupils, with a particular focus on enthusing those already "engaged", and reaching those pupils who are not in close proximity to Scottish Universities and Science Centres, and who therefore have more limited opportunity to participate and meet with experts.

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Achievements in the year *(continued)*

The activities this year were held throughout Scotland and comprised 55 events – 60 were planned – attended by 1595 school pupils. These were:

- 27 interactive *Start-up Science* Masterclasses for S1& S2 pupils in university venues around Scotland
- RSE@Schools – 24 talks for S3, S5 and S6 pupils on applied science and technology
- SET Summer School – 14 workshops given during a one-week event to S5 pupils in the Lothians
- All day Discussion Forum for S5 and S6 students from 2 schools from Glasgow and Fife on conservation and biodiversity using the film *Avatar* by James Cameron as a source of inspiration, with associated material distributed to all schools in Scotland via GLOW and the RSE web site
- Christmas Lecture – *Reporting the World in an Age of Conflict* – schools lecture in Stranraer, which was webcast live by the BBC
- A national schools' competition in liaison with the RSE Inquiry *Facing up to Climate Change* – in which ten schools took part (five primary and five Secondary)

Building on the success of the pilot *RSE@* project in Arbroath, a second year-long, locally-tailored programme of outreach activities, **RSE@Dumfries & Galloway** commenced in September 2010. The aim of this initiative is to enhance and improve the understanding and appreciation that people, particularly school-aged children, have for their local community. The focus is on themes both historical and contemporary that are relevant to the Dumfries and Galloway region and include science and environment, history and identity, literature and the arts and entrepreneurship. Events took place in venues in towns and villages across the region, including Langholm, Dumfries, New Galloway, Newton Stewart, Stranraer, Lockerbie and Kirkcudbright.

5 Enhancing the public's understanding of science and culture issues

(i) Events

Each year the RSE delivers a multidisciplinary programme of events aimed at a wide variety of audiences. In 2010–11 we delivered 36 events attended by 3747 people – our targets were 23 events attended by 3200.

Public Lectures and discussion forums were attended by 3375 people:

22 Lectures

Thomas Reid and the Art of Philosophy

China's environmental challenges and the contribution of the Flora of China Project to resolving them

The Art of (Women) Walking: An Embodied Practice

An epidemiological perspective on the causes and prevention of breast cancer

Global Action on Climate Change: the Road to Cancun

The Wobbly Kaleidoscope – Religion in our Time

James Clerk Maxwell – and how a hologram was made of his statue

Art In Madness: Dr W. A. F. Browne's collection of patient art at Crichton Royal Institution, Dumfries in the mid-nineteenth century

Facing up to Climate Change

Thomas Telford

Engineering a Sustainable Scotland

Wind, Water and Waves

European Foreign Policy – is it Desirable and Possible

Adapting UK Institutions to Climate Change

Reporting the World in an Age of Conflict

The Next Economy

Why Do We need a Lighthouse? The Bell Rock and the Stevensons Now

Food Security and Sustainability: One Can't Make an Omelette Without Cracking Some Eggs

Gannochy Trust Innovation Award Prize Lecture

The Twin Towers: 10 years – 10 Lessons on Sustainable Infrastructure

On Our Humble Dumfries Boards

Galloway Waterways

8 Lectures as part of Medieval Week held in partnership with the British Academy

Monuments in Motion

Portable Christianity: Relics in the Medieval

He That All Our Comfort Was? Robert the Bruce in Scottish Sources Before Barbour's Bruce

More than 'Skimble-Skamble' Stuff: the Medieval Welsh Poetry Associated with Owain Glyndŵr

The Middle Ages – A Distant Mirror – Medieval Life and Death through the Centuries

Personifications of Old Age in Medieval Poetry

The Past as Propaganda: The Declaration of Arbroath

The Past as Propaganda: The Mongol 'World History'

3 Discussion Forums

A Question of Chemistry? The role of the composer and librettist in the creation of opera

Climate Change during the last 10,000 Years: Reconstructions and uncertainties

Assisted Dying Mock Trial

Conferences

372 people attended three conferences

CRF Conference 2010 – Diabetes & obesity: getting to the heart of the matter'

The Bell Rock Lighthouse, the Stevensons and Emerging Issues in Aids to Navigation

Assisted Dying Workshop

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Achievements in the year *(continued)*

(ii) Communications

The **RSE website** provides information for the public and for Fellows. This year an increased number (20) of audio/ video recordings of events were added to the website, and 25 written summary reports of activities in the public events and schools programme were published on the site soon after the events had taken place. Plans are developing to use the new website launched in May 2011 to further improve the reporting of and access to our activities.

Media briefings and press releases were provided for most major events and launches, and there was appreciable media coverage of many of the significant activities in the RSE programme.

Four issues of *ReSource*, the RSE newsletter were published and distributed to the Fellowship and around 3,000 others, including business leaders, journalists, research institutes, schools, MPs, MSPs and interested individuals.

Fellows received a monthly e-bulletin, which enabled them to keep up to date with and, disseminate information on the RSE and its work. In addition, seven public e-bulletins were sent out during the year to promote various events and schools activities.

Two issues of *Science Scotland* entitled *Towards a Greener Future* and *Informatics* were published in the year. *Science Scotland* continues to increase people's awareness of cutting-edge science and technology activities in Scotland. Since April 2010 the web site has had almost 8,000 unique hits and has been viewed by people in over 32 countries.

(iii) Journals

The RSE, through the Foundation, publishes two journals *Earth and Environmental Science Transactions of the Royal Society of Edinburgh* and *Proceedings A: Mathematics*. Copies of the journals are sent to 350 University Libraries, Academies and Institutions world wide, as part of the RSE's exchange programme. The journals are highly regarded by academics as publication vehicles for their research, and they both maintain a respectably high impact factor in comparison with similar journals in their fields.

Six issues of *Proceedings A* were published during the 2010–11 year. Six issues of *Transactions* were published.

The digitisation of the RSE's archive journals – *Transactions* (1783–2001), *Proceedings* (1832–1940), *Proceedings A* (1941–1999) and *Proceedings B* (1941–1996) was progressed by Cambridge University Press during the year and the digital archive will be marketed and made available for sale to the public during 2011–12 thus making the RSE's highly regarded journal archive more easily accessible to a world-wide audience.

6 Informing and influencing public policy decisions

Key outputs of the RSE's Policy Advice unit were two briefing papers, one for MSPs on the Curriculum for Excellence and a paper on the Future of Agricultural Support for the Scottish Parliament Rural Affairs and Environment Committee; 17 Advice papers, 14 to the Scottish Parliament and/or the Scottish Government:

Scotland's Higher Activity Radioactive Waste Policy

End of Life Assistance (Scotland) Bill

Graham Donaldson's Review of Teacher Education in Scotland

Reform of the Rule Against Double Jeopardy

Towards a Low Carbon Economy for Scotland

Scotland's International Engagement

Preventative Spending

Scotland's Enterprise Network

An Agenda for Research at a Time of Educational Reform in Scotland

Double Jeopardy (Scotland) Bill

Innovation-Friendly Scotland: Priorities for Innovation and Business Development

A Land Use Strategy for Scotland

The Teaching of History in Scottish Schools

Scotland's Next Energy Revolution

The Future of Higher Education in Scotland

Delivering Sustainable Flood Risk Management

Course Rationale and Summary for New National Qualifications in History

Three of these Advice papers were proactive interventions: *Innovation-Friendly Scotland*, *An Agenda for Evaluation of Educational Reforms* and the *Teaching of History in Scottish Schools*.

Oral evidence to Scottish Parliamentary Committees was provided on a range of subjects including: *Carbon Capture and Storage*, *Digital Scotland; the Future of Agricultural support*; *Climate Change*, *Women in Science*, and the *Inquiry into Preventative Spending*.

A **Science and the Parliament** event was held in partnership with the Royal Society of Chemistry, which attracted 34 exhibitors and more than 300 delegates, including MSPs. Amongst the keynote speakers, on the topic of *Science and the Scottish General Election* were: Iain Gray MSP, Professor Anne Glover (Chief Scientific Adviser for Scotland), Professor Paul Hagan (Director of Research and Innovation, SFC), Dr Oonagh Loughran (Life Sciences, Scottish Enterprise.)

RSE Inquiry, Facing Up to Climate Change

The Inquiry, launched in October 2009, continued its work during the year and issued its report *Facing up to Climate Change* in March 2011. The Inquiry took written and oral evidence from over 110 organisations, more than 40 individuals and from six public meetings around Scotland, involving some 400 people. The Committee also visited exemplar case studies, hosted or took part in over 30 seminars and conferences, and carried out a national schools' competition. The Inquiry received funding from over twenty corporate and charitable supporters, and the RSE is grateful for their assistance in ensuring the Inquiry remained wholly independent.

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Achievements in the year *(continued)*

The Inquiry committee was headed by climate scientist Professor David Sugden, Professor of Geography from the School of Geosciences at the University of Edinburgh and a world leader in ice sheets and global climate change. The Report sets out ten primary recommendations aimed at overcoming the barriers that are stopping Scotland from taking steps towards a low-carbon society, and from meeting its ambitious climate change targets. These call for urgent action on making the energy grid in Scotland fit for purpose in the 'renewables' age; the retrofitting of regulation created at a time when reducing CO₂ emissions was not a concern; mobilising private finance in support of a low-carbon society; and embedding the need to reduce emissions across all government and local authority functions, and in all organisations. A short animated film was developed to accompany the report and made available via YouTube, with the aim of reaching new audiences through the internet.

RSE Education Committee

The RSE Education Committee members contributed to the development of policy in relation to helping 21st century education, most specifically in relation to improving science, computing and history education in schools. Following the RSE's submission to Graham Donaldson's Review of Teacher Education in Scotland, members of the RSE's Education Committee met with him to discuss the issues being explored by his review.

In partnership with the Royal Society of Chemistry (RSC), the RSE undertook a **Chemistry exemplification project** to support Curriculum for Excellence implementation. The RSE/RSC Chemistry exemplification materials were launched in November 2010 with a class of S2 pupils at Craigmount High School in Edinburgh. The materials were developed by Dr Shona Scheuerl who was, for a year, seconded on a part-time basis to explore the exemplification of a subset of Chemistry-related Curriculum for Excellence experiences and outcomes into classroom work, materials and laboratory or outside activities. The exemplification materials produced, including teachers' and pupils' guides, are hosted on the RSC website with links from the RSE, Scottish Schools Education Research Centre, Education Scotland and GLOW (Scotland's national intranet for schools).

During the year the Education Committee has been considering how this innovative and well-received approach can be adapted in future for other subjects, particularly history and computing.

The Fellowship Programme

The RSE's Fellowship includes men and women from all parts of Scotland, the UK and overseas, and encompasses the full range of disciplines, including science, engineering, social sciences, arts, humanities, law, education, business and industry.

In March 2011, the RSE announced the election of four new Corresponding Fellows, one Honorary Fellow and 40 new Fellows. This followed the scrutiny in 2010 of 149 candidates through a four-stage committee process,

culminating in the postal ballot in December to the entire Fellowship. The addition of new Fellows in 2010 brought the numbers of all categories of Fellows up to 1546 – 66 Honorary Fellows; 61 Corresponding Fellows and 1419 Fellows.

The discipline balance of the Fellowship is broadly represented by four cognate sectors. The current balance of these sectors for Fellows is 36% (Life Sciences – Sector A), 37 % (Physical Engineering and Informatic Sciences – Sector B), 16% (Humanities and Creative Arts – Sector C) and 11% (Social Sciences, Education and Public Service – Sector D).

The RSE holds an induction day each year for the new Fellows. This provides an opportunity for new Fellows to meet with members of Council, the Executive Board and RSE staff, and to be formally admitted to the RSE. There were also events primarily for Fellows, including the Fellows' summer reception, the Royal Medals award ceremony, and the Annual Statutory Meeting.

RSE Scotland Foundation

In addition to publishing the RSE Journals, the Foundation continued to support education and the transfer of useful knowledge through letting the conference facilities in George Street. Income from this activity was down from the previous year; although the number of hires was almost the same as 2009/10. The Foundation was also responsible for letting surplus space to tenants-Universities Scotland and Lakeland Ltd. The income generated from these lettings supported the RSE public benefit programmes.

Caledonian Research Fund (CRF)

The Foundation continues to administer funds received from CRF in 2009 in accordance with the transfer agreement. The Trustees agreed firstly to honour the existing financial commitments of the CRF in support of scientific research, and thereafter to apply the assets at their discretion, with the proviso that they should have regard to the existing activities of the CRF. At the time of the transfer the existing schemes of the CRF comprised: **postdoctoral research fellowships** in biomedical sciences; **European visiting fellowships** to enable scholars from continental Europe to spend short periods working in Scotland and vice versa; **postgraduate scholarships** for students undertaking research leading to a PhD degree in Scotland; and an annual **international conference** on aspects of the biomedical sciences.

Five postdoctoral research fellows and six postgraduate students were in post in 2009 and were due to conclude between July 2010 and September 2011. Since then the Trustees have agreed to the award of one postdoctoral Fellowship and one postgraduate studentship in each of 2009–10 and 2010–11. Other commitments made in 2010–11 comprised seven grants for European Visiting Research Fellowships totalling £17,540 and a Conference entitled *Diabetes and obesity: getting to the heart of the matter*, which took place in May 2010.

All of the activities of the CRF are administered on behalf of the Foundation by the RSE except the administration of the postgraduate scholarship scheme, which remains with the Carnegie Trust for the Universities of Scotland.

Trustees' Report & Accounts 2010 – 2011

RSE Scotland Foundation (*continued*)

Scottish Bioinformatics Forum (SBF)

SBF actively promotes training and knowledge transfer of bioinformatics skills, including facilitating multi-centre collaborations, industry and academic joint ventures, partnering, knowledge transfer, and bioinformatics training. It performs an important role in promoting bioinformatics as a key enabling technology in Life Science research and development.

During the year SBF was run as a project of the Foundation supported by grant funding. As this funding came to an end it was necessary to seek a new mechanism for sustaining the established and well-supported network of SBF. In March 2011, agreement was reached to merge the SBF activities with those of Nexus, the life science networking organisation for Scotland's life scientists established in 2003, which has broadly similar aims to the Forum and is already familiar to many of its members through its website, publications and events.

BP Research Fellowship Trust

After obtaining the agreement of BP to the restructuring of the postdoctoral fellowship scheme, the first five-year appointment to the revised fellowship was made in Spring 2010 and commenced in September 2010. As well as an extended period of support from the Trust, BP Research Fellows will now be eligible to apply for other external grant funding in support of their research. A new **Hutton Prize in Energy Innovation** will be awarded in alternate years when there is no Fellowship award. It is planned that the first Hutton Prize in Energy Innovation will be awarded in 2011.

Financial Review and Policies

Investment powers and policy

The management of the investment funds of the RSE, the Foundation and the BP Research Fellowship Trust is carried out by Speirs & Jeffrey & Co on a discretionary basis. The objectives set by the Council are to ensure a sufficient level of income to meet the target set annually by the Council, and to invest for real capital growth over the long term. The Council has delegated the detailed monitoring of performance to an Investment Committee chaired by the Treasurer and which includes at least one ordinary member of Council and two external investment experts. Comparisons are made against a composite benchmark reflecting the mix of assets held and the WM Charities Income Constrained Index.

The performance of the portfolios in the year was as follows:

	Income Target	Actual income	Total return	Benchmark
	£'000	£'000	%	%
RSE	214	214	9.3	7.8
BP Trust	123	123	9.0	7.8
Foundation	315	314	6.5	7.8

The Investment Committee meets twice annually with the investment managers to discuss their compliance with the constraints set by the Committee and risk environment. In the year under review, no compliance issues arose which required to be reported to the Committee.

Operating policies – grant making

The RSE makes grants to individuals in higher education institutions in support of research activities in the categories of postdoctoral Research Fellowships, Support Research Fellowships, post-graduate Studentships, undergraduate Vacation Scholarships, Enterprise Fellowships and international exchange grants. Each of these categories is specifically funded from various sources, including the RSE's restricted funds. The basis of eligibility and selection varies according to the detailed scheme regulations, which are published on the RSE's website (www.royalsoced.org.uk). Grants are also made in support of research activities of Fellows of the RSE, including support for travel connected with research or scholarship, small scale specialist meetings, to assist research visitors to Scotland to undertake collaborative research work with a Fellow, to assist a visiting lecturer to come to Scotland, to assist research collaboration between two institutions in Scotland or between universities and industry and to assist in the publication of books written by Fellows. These grants are funded by the RSE's designated Grants Fund. The Grants Committee is responsible for making awards in accordance with the detailed rules set out by the Council of the RSE for the disbursement of the Grants Fund.

Reserves policy and funds

The RSE holds a number of restricted funds resulting from bequests for particular purposes, details of which are set out in note 2 to the financial statements. The Council has created designated funds, from its unrestricted funds, the purposes of which are also set out in note 2 to the financial statements. The General Fund represents the balance of unrestricted funds arising from past operations. The Council has examined the requirement to hold unrestricted funds, and concluded that, whilst the present level of reserves gives adequate working capital for core costs, it is desirable to have a General Fund reserve in the range of six months' expenditure on central costs or approximately £780,000. The current fund balance is £758,000. The Council has also reviewed the purposes and amounts of each of the designated funds, which comprise allocations for specific purposes of sums that had been donated in prior periods, together with the Development Fund and the Capital Asset Reserve.

Result for the year

The surplus of consolidated net incoming resources for the year was £327,000, compared to the £62,000 deficit achieved last year. As outlined above this was after crediting exceptional pension adjustments of £240,000 arising mainly from the calculations of future pensions increases being based on Consumer Prices Index rather than the Retail Prices Index, and legacy and appeal income of £68,000. The underlying surplus was therefore £19,000.

Investment gains comprised £8,000 realised in the year and £515,000 unrealised at the year end. The net movement on funds for the year after the FRS17 actuarial adjustment was £1.026m.

Trustees' Report & Accounts 2010 – 2011

Financial Review and Policies *(continued)*

Income and Expenditure

Total incoming resources

Total incoming resources were £5.94 m (2010 – £5.29m), an increase of 12%. The increase arose mainly from increases in income received from charitable activities, of which the increase in funding for the Scottish Government Research Fellowships and the Arts & Humanities awards was the largest contribution.

Voluntary income (note 4) of £409,000 includes Fellows' subscriptions, the grant in support of SBF, together with an initial distribution from a legacy from Dr Gethin Lewis and continuing contributions from the 'Friends of the Society' – corporate partners of the RSE, listed in note 26(d).

Incoming resources from charitable activities of £4.61m increased by 17% from the 2009 – 10 level of £3.94m. The increases in income for promotion of research and innovation were for Arts & Humanities research funded by the Scottish Government and the increased duration of Scottish Government Research Fellowships. Income was received for the Gannochy Trust Innovation Award this year again having not been awarded in 2009. In other charitable activities income received for the climate change Inquiry was recognised as the work progressed.

Resources expended

Total resources expended on a like-for-like basis increased by 9%. The expenditure after the exceptional pension adjustment, has increased by 5% (£0.26m) from last year. This reflects the increased expenditure on charitable activities, as governance and costs of generating funds are similar to previous years.

Cost of generating funds (note 6) includes the cost of the Fellowship office, the costs of building management in respect of income from letting of surplus space, as well as fundraising costs, both direct and management time in securing funding.

Overall, expenditure on charitable activities has increased by £488,000. Grants payable in support of research and innovation made up the major part of this increase, rising from £3.64m to £4.01m. Expenditure on Scottish Government-funded research rose by £636,000, offset by reductions in the CRF grants payable as expenditure was reduced to balance income and a fall in expenditure on Enterprise Fellowships due to the timing of appointments made. Expenditure on influencing public policy also increased, due to an increase in the volume of activity and staff capacity.

Governance costs, which have remained at a similar level to previous years, represent less than 3% of total recurring income.

Transfers between funds shown in the Statement of Financial Activities comprise the recurring transfer from the Capital Asset Reserve of a total of £101,000 to match the depreciation of buildings and the capital repayment of the loan to the Foundation; and a transfer on consolidation from the Foundation restricted fund balance to the General Fund, equivalent to the net inter-entity income received in the RSE.

Balance sheet

Consolidated net assets have increased from £21.15m to £22.18m; about half the increase coming from the unrealised surplus on investments of £516,000 with the balance arising from the FRS17 pension adjustments. These comprise the exceptional credit of £240,000 due to the change in calculation of pensions increases and an actuarial gain recognised of £175,000. Although the gain calculated by the actuary was £262,000, the amount recognised in the financial statements was restricted so that no net pension asset was recognised, because it is unlikely that such an asset could be realised in the foreseeable future.

Net current assets decreased from £1.99m to £1.54m, as cash deposits of £500,000 were transferred to fixed asset investments in the year, to improve the investment return. Debtors have increased by £446,000, mainly reflecting the timing of receipt of Scottish Government grant claims. Creditors have increased as a result of grants and awards commitments made in the second half of the year.

Future plans

In the context of the 16% cut in the RSE's Scottish Government grant for 2011–12 and uncertainty about external financial conditions, the continuing strategy of diversification of income is essential. The Council's aim of building relationships with a view to working in partnership is progressing in respect of the corporate sector through the Friends of the Society, and good progress was made in the year. The aim of building the Development Fund as an internal resource continues, although this is of necessity a long term plan.

As a major project in 2011–12, plans are now well advanced for the creation of a Young Academy of Scotland, drawn from the younger generation of researchers, scholars, business people and professionals. The Academy will present an opportunity for this group to interact with each other and integrate with the decision makers and opinion formers to address the important issues in Scottish life today.

Public sector funding is likely to continue to be uncertain, but our review of the Strategic Framework and priorities for the period from 2012, will seek to mitigate the effects of these uncertainties. The focus will remain on the successful delivery of RSE's varied programme of activities with public benefit outcomes within the priorities set by the Council.

Signed on behalf of the Council

Ewan Brown CBE

Treasurer

September 2011

Trustees' Report & Accounts 2010 – 2011

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

We have audited the financial statements of the Royal Society of Edinburgh for the year ended 31 March 2011 which comprise the group statement of financial activities, the charity statement of financial activities, the group balance sheet, the charity balance sheet, the cashflow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's Trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charity's Trustees, as a body, those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 Trustees' Responsibilities Statement, the Trustees are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under 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 (APB'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 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 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 and the charity's affairs as at 31 March 2011 and of the group and charity's incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charity Accounts (Scotland) Regulations 2006 requires us to report to you if, in our opinion:

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

Henderson Loggie Chartered Accountants and Statutory Auditors

(Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006).

5 September 2011

Trustees' Report & Accounts 2010 – 2011

Group statement of financial activities
(incorporating the income & expenditure account)
for year ended 31 March 2011

	Note	General Fund	Designated Funds	Restricted Income	Restricted Funds	2011 Total	2010 Total
		£	£	£	£	£	£
Income							
Voluntary income	4	232,721	62,500	–	114,071	409,292	433,811
Activities for generating income	4	–	–	–	253,487	253,487	258,362
Investment income	4	25,078	143,446	–	506,615	675,139	663,688
Incoming resources from generated funds		257,799	205,946	–	874,173	1,337,918	1,355,861
Incoming resources from charitable activities	5	77,619	–	4,179,542	354,518	4,611,679	3,937,256
Total incoming resources		335,418	205,946	4,179,542	1,228,691	5,949,597	5,293,117
Expenditure							
Cost of generating funds	6	(206,179)	(9,845)	–	(65,429)	(281,453)	(267,938)
Charitable activities	6	(237,267)	(55,780)	(4,179,542)	(948,805)	(5,421,394)	(4,933,408)
Exceptional FRS 17 pension credit	6,12	240,000	–	–	–	240,000	–
Governance	6	(117,244)	–	–	(42,377)	(159,621)	(154,189)
Total resources expended		(320,690)	(65,625)	(4,179,542)	(1,056,611)	(5,622,468)	(5,355,535)
Net (outgoing)/incoming resources before transfers		14,728	140,321	–	172,080	327,129	(62,418)
Transfers between funds		218,288	(101,818)	–	(116,470)	–	–
Other recognised gains/(losses)							
<i>Gains/(losses) on investment assets</i>							
Realised gains/(losses)		459	29,363	–	(21,672)	8,150	341,629
Unrealised gains/(losses)		2,248	143,738	–	369,824	515,810	2,873,292
Actuarial gain/(losses) on Lothian Pension Fund		175,000	–	–	–	175,000	(607,000)
Net movement in funds		410,723	211,604	–	403,762	1,026,089	2,545,503
Balance brought forward at 1 April 2010		347,514	7,487,006	–	13,321,065	21,155,585	18,610,082
Balance carried forward at 31 March 2011		758,237	7,698,610	–	13,724,827	22,181,674	21,155,585

Trustees' Report & Accounts 2010 – 2011

Group balance sheet at 31 March 2011

	Note	2011 £	2011 £	2010 £	2010 £
Fixed assets					
Tangible fixed assets	14		3,772,071		3,880,489
Fixed asset investments					
Investments at market value	15		17,087,892		16,083,212
			20,859,963		19,963,701
Current assets					
Debtors	16	1,217,162		770,792	
Cash at bank and in hand		130,051		310,904	
Money Market deposits – Designated funds		96,343		95,864	
Money Market deposits – Restricted funds		1,637,362		1,499,620	
Money Market deposits – General funds		29,356		636,180	
		3,110,274		3,313,360	
Current liabilities					
Creditors: amounts falling due within one year	17	(1,570,713)		(1,316,484)	
Net current assets			1,539,561		1,996,876
Total assets less current liabilities			22,399,524		21,960,577
Provision for liabilities and charges	18		(217,850)		(389,992)
Net assets excluding pension fund			22,181,674		21,570,585
Lothian Pension Fund defined benefit scheme asset/(liability)	23		–		(415,000)
Net assets after pension fund asset/(liability)			22,181,674		21,155,585
Funds					
General Fund			758,237		762,514
Add: Pension reserve			–		(415,000)
	19		758,237		347,514
Designated Funds	20		7,698,610		7,487,006
Restricted Funds	21		13,724,827		13,321,065
Total funds			22,181,674		21,155,585

The accounts were approved by the Council on 5 September 2011 and signed on its behalf by:

Ewan Brown, CBE
Treasurer

Trustees' Report & Accounts 2010 – 2011

RSE balance sheet

at 31 March 2011

	Note	2011 £	2011 £	2010 £	2010 £
Fixed assets					
Tangible fixed assets	14		2,115,452		2,171,157
Fixed asset investments					
Investments at market value	15(a)		6,064,793		5,242,639
Loan to RSE Scotland Foundation	15(b)		1,703,904		1,750,712
			9,884,149		9,164,508
Current assets					
Debtors	16	1,124,283		604,866	
Cash at bank and in hand		109,181		195,667	
Money Market deposits – Designated funds		96,343		95,864	
Money Market deposits – Restricted funds		1,637,362		1,499,620	
Money Market deposits – General funds		29,356		636,180	
		2,996,525		3,032,197	
Current liabilities					
Creditors: amounts falling due within one year	17	(2,286,639)		(1,709,422)	
Net current assets			709,886		1,322,775
Total assets less current liabilities			10,594,035		10,487,283
Provision for liabilities and charges	18		(217,850)		(389,992)
Net assets excluding pension fund			10,376,185		10,097,291
Lothian Pension Fund defined benefit scheme asset/(liability)	23		–		(415,000)
Net assets after pension fund asset/(liability)			10,376,185		9,682,291
Funds					
General Fund			758,237		762,514
Add: Pension reserve			–		(415,000)
	19		758,237		347,514
Designated Funds	20		7,698,610		7,487,006
Restricted Funds	21		1,919,338		1,847,771
Total funds			10,376,185		9,682,291

The accounts were approved by the Council on 5 September 2011 and signed on its behalf by:

Ewan Brown, CBE
Treasurer

Trustees' Report & Accounts 2010 – 2011

RSE statement of financial activities (incorporating the income & expenditure account) for year ended 31 March 2011

	Note	General Fund £	Designated Funds £	Restricted income £	Restricted funds £	2011 Total £	2010 Total £
Income							
Voluntary income		232,721	62,500	–	6,249	301,470	280,542
Investment income		109,545	143,446	–	70,026	323,017	313,620
Incoming resources from generated funds		342,266	205,946	–	76,275	624,487	594,162
Incoming resources from charitable activities		109,622	–	4,570,000	–	4,679,622	4,122,775
Total incoming resources		451,888	205,946	4,570,000	76,275	5,304,109	4,716,937
Expenditure							
Cost of generating funds		(206,179)	(9,845)	–	–	(216,024)	(197,551)
Charitable activities		(237,267)	(55,780)	(4,570,000)	(88,556)	(4,951,603)	(4,450,184)
Exceptional FRS 17 pension credit	12	240,000	–	–	–	240,000	–
Governance		(117,244)	–	–	–	(117,244)	(114,751)
Total resources expended		(320,690)	(65,625)	(4,570,000)	(88,556)	(5,044,871)	(4,762,486)
Net incoming/(outgoing) resources before transfers							
		131,198	140,321	–	(12,281)	259,238	(45,549)
Transfers between funds		101,818	(101,818)	–	–	–	–
Other recognised gains/(losses)							
<i>Gains/(losses) on investment assets</i>							
Realised gains/(losses)		459	29,363	–	14,223	44,045	124,265
Unrealised gains/(losses)		2,248	143,738	–	69,625	215,611	862,785
Actuarial gains (losses) on Lothian Pension Fund	23	175,000	–	–	–	175,000	(607,000)
Net movement in funds		410,723	211,604	–	71,567	693,894	334,501
Balance brought forward at 1 April 2010		347,514	7,487,006	–	1,847,771	9,682,291	9,347,790
Balance carried forward at 31 March 2011		758,237	7,698,610	–	1,919,338	10,376,185	9,682,291

Trustees' Report & Accounts 2010 – 2011

Group cash flow statement

for the year ended 31 March 2011

	2011 £	2011 £	2010 £	2010 £
Cash flow statement				
Net cash outflow from operating activities		(827,373)		(490,497)
<i>Returns on investments and servicing of finance:</i>				
Interest received	24,097		31,429	
Dividends received	642,040		632,259	
		666,137		663,688
<i>Capital expenditure and financial investment:</i>				
Purchase of tangible fixed assets	(13,527)		(18,110)	
Proceeds from sale of investments	2,968,391		4,008,894	
Purchases of investments	(3,449,111)		(3,951,866)	
Capital receipt	–		157	
		(494,247)		39,075
<i>Net cash flow before financing:</i>		(655,483)		212,266
Appeal receipts		6,027		7,143
(Decrease)/Increase in cash in the year		(649,456)		219,409
Reconciliation of net cash flow to movement in net funds				
(Decrease)/Increase in cash in the year		(649,456)		219,409
Net funds at beginning of year		2,542,568		2,323,159
Net funds at end of year (note 27)		1,893,112		2,542,568
Reconciliation of net movement in funds to net cash outflow from operating activities				
Net incoming/(outgoing) resources before transfers	327,129		(62,418)	
Retirement benefit scheme current service cost	147,000		61,000	
Retirement benefit scheme contributions	(144,000)		(120,000)	
Retirement benefit scheme finance cost	(243,000)		6,000	
Appeal receipts	(6,027)		(7,143)	
Dividends receivable	(651,042)		(632,259)	
Interest receivable	(24,097)		(31,429)	
Depreciation	121,945		122,208	
Capital receipt in cash	–		(157)	
Capital receipt in shares	–		(40,801)	
Increase in debtors	(437,368)		(308,233)	
Increase in creditors	254,229		762,971	
Movement on provision for liabilities	(172,142)		(240,236)	
Net cash outflow from operating activities	(827,373)		(490,497)	

notes to the financial statements

1 Accounting basis

The accounts have been drawn up to comply with the provisions of the Charities & Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006, and follow the recommendations of the Statement of Recommended Practice for charities (SORP) approved by the Accounting Standards Board in February 2005 and applicable accounting standards. The accounts have been prepared under the historical cost accounting rules as modified to include the revaluation of investments. The accounts comprise five primary financial statements: the Group and RSE statement of financial activities incorporating the income and expenditure account, the Group and RSE balance sheet and the Group cash flow statement.

On the basis of the RSE's reserves and cash position and the secured and expected incoming resources for the next twelve months, the Council considers that it is appropriate to prepare the financial statements on a going concern basis.

The consolidated financial statements include the financial statements of the RSE and of entities which are under its control: RSE Scotland Foundation and BP Research Fellowship Trust. As the objectives of each of these entities are narrower than those of the RSE, they have been treated as restricted funds.

2 Funds

The RSE's funds are classified in accordance with the definitions in SORP into Restricted Funds, where there are restrictions placed by a donor as to the use of income or capital, Designated Funds where the Society has set aside sums from its unrestricted funds for a particular purpose and the General (unrestricted) Fund. The classifications made are as follows:

General Fund

A discretionary Fund available to the Council to meet the ordinary activities of the Society.

Designated Funds

Capital Asset Reserve Fund – representing the book cost of the buildings at 22-24 George Street and 26 George Street together with the building project loan to the RSE Scotland Foundation.

Development Appeal Fund – to provide development finance to implement the RSE Strategic Framework.

Programme Fund – a fund created to act as a source of funding for meetings activities.

C H Kembell Fund – income from this fund is used to provide hospitality for distinguished visitors from other learned societies and Academies.

Dr James Heggie Fund – income from this fund supports the RSE's activities with young people.

Grants Fund – a fund created by contributions and legacies from Fellows and used to provide grants to support research activities to Fellows.

Restricted Income Fund – income funds received for expenditure on current projects.

Restricted Funds

Robert Cormack Bequest – to promote astronomical knowledge and research in Scotland.

Lessells Trust – to fund scholarships abroad for engineers.

Auber Bequest – to fund research in Scotland and England by naturalised British citizens over 60 years of age.

Prizes Fund – to fund various prizes.

Dryerre Fund – to fund postgraduate scholarships in medical or veterinary physiology.

Fleck Bequest Fund – to promote interest, knowledge and appreciation of science and its applications throughout Scotland.

Piazz Smyth Legacy Fund – to fund high altitude astronomical research.

Sillitto Fund – to promote interest in physics among young people.

CASS Fund – to fund academic / industrial liaison.

Retailing Seminar Fund – to fund a programme of seminars on retailing.

Edinburgh Drug Absorption Foundation Fund – to fund a series of conferences on the broad theme of 'Drugs Futures'.

RSE Scotland Foundation – a trust to advance the education of the public in Scotland in science, engineering and technology, incorporating assets transferred from the CRF. The CRF funds remain restricted until pre-existing awards and appointments are concluded.

BP Research Fellowship Trust – a trust to fund postdoctoral research fellowships in Scotland.

3 Accounting policies

Incoming resources

Voluntary income

Subscriptions are accounted for on the basis of the subscription year to October 2011 and include income tax recoverable on the subscriptions paid under Gift Aid.

Revenue grants are credited to income in the period in which the RSE becomes entitled to the resources.

Donations of a recurring nature from other charitable foundations and one-off gifts and legacies included in other income are taken to revenue in the period to which they relate.

Investment income

Interest and dividends are accounted for in the year in which they are received.

Incoming resources for charitable activities

Incoming resources for activities are accounted for on an accruals basis.

notes to the financial statements

Publication income receivable in foreign currencies is converted into sterling at rates of exchange ruling at the date of receipt.

Incoming resources for research fellowships are accounted for in the period in which the RSE becomes entitled to the resources.

Income received for specific projects, and received in advance of the commencement of the project, is deferred. If the project were not to proceed as planned, the RSE would not be entitled to retain the funds. For performance-related grants, where entitlement to the incoming resource only arises with the performance of the specific outputs agreed under the contracts, income is deferred.

Resources expended

Expenditure and support costs

All resources expended are included on an accruals basis, having regard to any constructive obligations created by multi-year grant commitments.

Where directly attributable, resources expended are allocated to the relevant functional category. Overhead and support costs are allocated to functional category on the basis of direct staff costs in each area of activity.

Cost of generating funds

The cost of generating funds includes expenditure incurred in supporting the Fellowship and incurred on fundraising and development initiatives.

Charitable activities

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

Governance costs

Governance costs are those incurred in connection with the management of RSE assets, organisational administration and compliance with constitutional and statutory requirements.

Tangible fixed assets, depreciation and repairs

The RSE's principal assets are its buildings in George Street, Edinburgh. Under FRS15 the Society depreciates the buildings assuming a 50-year life. It is the policy of the Council to maintain the buildings to a high standard. Any permanent diminutions in value are reflected in the statement of financial activities. Costs of repairs and maintenance are charged against revenue.

Expenditure incurred by the RSE Scotland Foundation in the improvements to 26 George Street is being depreciated from the date of completion of the refurbishment over the period of the lease to the RSE Scotland Foundation to 30 June 2047.

Minor equipment is charged against revenue in the year of purchase. Computer and audio-visual is depreciated on a straight line basis over 3–20 years.

Investments

Investments are stated at their market value at the balance sheet date. Gains and losses on disposal and revaluation of investments are charged or credited in the statement of financial activities and allocated to funds in accordance with their proportionate share of the investment portfolio.

Pensions

The RSE participates in defined benefit pension schemes which are externally funded. The cost of providing pensions is allocated over employees working lives with the RSE and is included in staff costs.

Pension fund assets arising from valuations under FRS 17 are recognised only to the extent that the asset is recoverable in the foreseeable future.

Foreign exchange

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date while transactions arising during the year are translated at the spot rate prevailing when the transaction arises. Exchange gains or losses arising in the year are recognised in the statement of financial activities.

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notes to the financial statements

4 Incoming resources

<i>Current year 2011</i>	Voluntary income	Activities for generating income	Investment	Promotion of research and innovation	Other charitable activities	Total 2011
£	£	£	£	£	£	£
Fellows	208,823	–	–	–	–	208,823
Individuals and legacies	70,148	–	–	–	17,666	87,814
Companies	16,250	–	–	–	75,268	91,518
Charitable trusts	6,249	–	–	123,533	54,905	184,687
Scottish Government	–	–	–	2,214,640	680,910	2,895,550
Public sector bodies	–	–	–	1,068,472	21,768	1,090,240
Bank interest	–	–	24,097	–	–	24,097
Dividends	–	–	214,454	–	–	214,454
RSE	301,470	–	238,551	3,406,645	850,517	4,797,183
BP Research Fellowship Trust -dividends and interest	–	–	122,113	–	–	122,113
RSE Scotland Foundation – grant re SBF grants & donations	107,822	–	–	–	–	107,822
– rental income	–	253,487	–	–	–	253,487
– charitable activities	–	–	–	–	354,517	354,517
– dividends and interest	–	–	314,475	–	–	314,475
	409,292	253,487	675,139	3,406,645	1,205,034	5,949,597
<i>Prior year 2010</i>	Voluntary income	Activities for generating income	Investment	Promotion of research and innovation	Other charitable activities	Total 2010
	£	£	£	£	£	£
Fellows	206,940	–	–	–	–	206,940
Individuals	8,386	–	–	–	8,747	17,133
Companies	16,250	–	–	–	33,262	49,512
Charitable trusts	48,966	–	–	24,990	49,708	123,664
Scottish Government	–	–	–	1,578,362	679,755	2,258,117
Public sector bodies	–	–	–	1,235,751	12,253	1,248,004
Bank interest	–	–	31,429	–	–	31,429
Dividends	–	–	195,853	–	–	195,853
RSE	280,542	–	227,282	2,839,103	783,725	4,130,652
BP Research Fellowship Trust -dividends and interest	–	–	131,224	–	–	131,224
RSE Scotland Foundation – grant re SBF	120,620	–	–	–	–	120,620
– rental income	–	258,362	–	–	–	258,362
– charitable activities	–	–	–	–	314,428	314,428
– dividends and interest	–	–	305,182	–	–	305,182
Transfer of assets from the CRF	401,162	258,362	663,688	2,839,103	1,098,153	5,260,468
	32,649	–	–	–	–	32,649
	433,811	258,362	663,688	2,839,103	1,098,153	5,293,117

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4 Incoming resources (continued)

4a Voluntary income

	2011 £	2010 £
Contributions from RSE Fellows		
Admission fees	11,200	11,200
Annual subscriptions	167,971	167,280
Income tax recoverable under Gift Aid	29,652	28,460
	208,823	206,940
Lessells Trust additional receipt	6,249	8,008
Appeal receipts	6,027	7,143
Legacies	62,500	–
Fleck Trust transfer	–	40,958
Friends of the Society – corporate partners	16,250	16,250
Other income	1,621	1,243
	301,470	280,542

In addition to the donations set out above, the RSE receives donations made specifically in support of activities which are included in activities income (see note 26(b)).

5 Incoming resources from charitable activities

	2011 £	2010 £
Scottish Government Grant – research fellowships	1,727,569	1,456,169
Scottish Government Grant – arts & humanities awards	487,071	122,193
Marie Curie COFUND	22,931	–
Scottish Enterprise	573,831	719,598
BBSRC Enterprise Fellowships	369,177	449,060
STFC Enterprise Fellowships	99,253	65,593
Gannochy Trust	105,000	2,607
Lloyds TSB Foundation for Scotland	18,533	22,383
Scottish Crucible	3,280	1,500
	3,406,645	2,839,103
Scottish Government Grant – generating & communicating knowledge	373,624	372,358
Scottish Government Grant – International activities	307,286	307,398
Wider outreach activities	34,367	–
Meetings	36,298	41,457
Policy and advice income	70,473	33,672
IEEE / RSE / Wolfson James Clerk Maxwell Award	22,294	20,776
Educational activities	5,790	7,803
Sale of sundry publications	385	261
	850,517	783,725
RSE Scotland Foundation – Journal publications	206,070	148,165
RSE Scotland Foundation – Conference facilities letting	128,847	150,623
RSE Scotland Foundation – Science and society	19,600	15,640
	354,517	314,428
	4,611,679	3,937,256

Further information relating to grants, donations and receipts and their application is set out in note 26.

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6 Resources expended

	2011			2010		
	Direct costs £	Support costs (Note 12) £	Total 2011 £	Direct costs £	Support costs (Note 12) £	Total 2010 £
Costs of generating funds						
Fundraising	9,596	117,823	127,419	2,893	106,903	109,796
Fellows' subscriptions	–	78,760	78,760	–	78,286	78,286
Appeal donations	–	9,845	9,845	–	9,468	9,468
	9,596	206,428	216,024	2,893	194,657	197,550
RSE Scotland Foundation						
Building management	–	65,099	65,099	–	70,032	70,032
BP Research Fellowship Trust						
Investment fees	330	–	330	356	–	356
Total costs of generating funds	9,926	271,527	281,453	3,249	264,689	267,938
Charitable activities						
Enhancing World-Class Research	2,627,491	277,571	2,905,062	2,132,356	277,395	2,409,751
Increasing International Research Connections	195,361	116,626	311,987	193,765	114,980	308,745
Improving Connections Between Business and Academia	1,001,380	102,698	1,104,078	1,126,786	107,858	1,234,644
Increasing Numbers Taking Science as a Career	32,349	51,772	84,121	8,865	46,928	55,793
Enhancing Public Appreciation of Science and Culture	126,523	237,657	364,180	128,357	239,151	367,508
Informing and Influencing Public Policy	73,391	214,781	288,172	40,667	179,065	219,732
	4,056,495	1,001,105	5,057,600	3,630,796	965,377	4,596,173
RSE Scotland Foundation						
Journal Publications	117,903	40,027	157,930	86,602	36,181	122,783
Science and society	1,742	5,710	7,452	1,247	–	1,247
SBF	87,582	15,000	102,582	105,620	15,000	120,620
Conference facilities letting	–	95,830	95,830	–	92,585	92,585
	207,227	156,567	363,794	193,469	143,766	337,235
Total cost of charitable activities	4,263,722	1,157,672	5,421,394	3,824,265	1,109,143	4,933,408
Exceptional FRS 17 pension credit	–	(240,000)	(240,000)	–	–	–
Governance (note 11)						
RSE	5,216	112,028	117,244	6,956	107,795	114,751
RSE Scotland Foundation	5,139	35,978	41,117	3,345	34,897	38,242
BP Research Fellowship Trust	1,260	–	1,260	1,196	–	1,196
Total governance costs	11,615	148,006	159,621	11,497	142,692	154,189
Resources expended	4,285,263	1,337,205	5,622,468	3,839,011	1,516,524	5,355,535

Central support costs as set out in note 12 have been allocated to activities in proportion to the employment cost in each area of activity.

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7 Grants payable

	2011 £	2010 £
Promotion of research (note 8)	2,852,670	2,351,920
Prizes and grants (note 8)	52,392	57,831
Promotion of Innovation (Note 9)	1,104,078	1,234,644
	4,009,140	3,644,395

8 Enhancing World-Class Research

	2011 £	2010 £
Promotion of Research		
Scottish Government Fellowships	1,601,001	1,347,903
Marie Curie COFUND actions	23,467	–
Arts & Humanities Workshop Grants	460,071	106,428
CRF European Fellowships	18,191	21,881
CRF Personal Fellowships	180,180	272,654
Robert Cormack Bequest	5,640	4,901
John Moyes Lessells Scholarship	29,617	19,166
Auber Bequest Awards	–	3,000
Henry Dryerre Scholarship	20,333	19,543
RSE	2,338,500	1,795,476
BP Research Fellowship Trust	149,274	198,728
RSE Scotland Foundation – CRF	95,933	88,615
	2,583,707	2,082,819
Support costs (note 6)	268,963	269,101
	2,852,670	2,351,920
Prizes and Grants		
	43,784	49,537
Support costs (note 6)	8,608	8,294
	52,392	57,831
	2,905,062	2,409,751

An analysis of institutions and individual awards made under this expenditure heading is included in the Society's Review 2010, obtainable from the address on the back cover.

notes to the financial statements**9 Improving connections between business and academia**

	2011 £	2010 £
Scottish Enterprise Fellowships	506,559	647,032
STFC Enterprise Fellowships	90,095	57,616
BRSRC Enterprise Fellowships	317,780	414,515
Gannochy Trust	86,946	7,623
	1,001,380	1,126,786
Support costs (Note 6)	102,698	107,858
	1,104,078	1,234,644

10 Enhancing public appreciation of science and culture

	2011 £	2010 £
Meetings	52,078	79,621
Publications	74,445	48,736
	126,523	128,357
Support costs (Note 6)	237,657	239,151
	364,180	367,508

The RSE Scotland Foundation became publisher of the RSE's journals and year book with effect from the 1997 volumes. The RSE retains copyright and incurs editorial costs in respect of these publications. The RSE has made a donation to the RSE Scotland Foundation equivalent to its net deficit on publications.

11 Governance

	2011 £	2010 £
Management and secretariat	112,028	105,045
Audit fee	11,615	11,497
Other professional advice from auditors	–	2,750
	123,643	119,292
RSE Scotland Foundation – Management and secretariat	35,978	34,897
	159,621	154,189

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12 Support costs

	2011 £	2010 £
Salaries (note 13)	1,053,167	1,007,318
Secondments	12,395	–
Staff training, agency and recruitment costs	29,119	37,522
Non-cash pension cost adjustments (FRS 17)	–	(53,000)
	1,094,681	991,840
<i>Other costs</i>		
Establishment expenses	189,076	191,555
Computer and equipment costs	83,936	107,875
Communication, stationery and printing costs	46,432	40,833
Travel and subsistence, hospitality	21,964	28,531
Publicity	5,820	18,793
Miscellaneous	2,330	1,209
Professional fees and subscriptions	11,021	13,680
Depreciation	121,945	122,208
	482,524	524,684
Total central costs	1,577,205	1,516,524
Exceptional FRS 17 pension credit	(240,000)	–
	1,337,205	1,516,524

Support costs have been allocated to activities in proportion to the employment cost in each area of activity as set out in note 6.

The exceptional FRS 17 Pension Credit is an adjustment to salary costs arising from the calculation of future pension increases being linked to the Consumer Prices Index and not the Retail Prices Index.

13 Employees

	Total Payroll	RSE Project costs	Support costs £	Funded by Foundation £	Funded by RSE 2011 £	Total 2010 £
Wages and salaries	839,354	10,141	829,213	112,126	728,946	806,728
Social security costs	63,157	465	62,692	7,573	55,398	60,591
Other pension costs	161,363	101	161,262	21,652	139,867	139,999
	1,063,874	10,707	1,053,167	141,351	924,211	1,007,318

The average number of employees of the RSE including those employed under joint contracts with the RSE Scotland Foundation was 29 (2010:29). One member of staff earned over £60,000 per year and is a member of a defined benefit pension scheme.

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14 Tangible fixed assets

Group	22 – 24 George Street Purchase cost £	26 George Street Purchase cost £	Improvements Purchase cost £	Computer & equipment £	Total £
Cost					
At 1 April 2010	1,103,038	1,647,468	2,136,070	365,538	5,252,114
Additions	–	–	–	13,527	13,527
Disposals	–	–	–	(22,303)	(22,303)
At 31 March 2011	1,103,038	1,647,468	2,136,070	356,762	5,243,338
Depreciation					
At 1 April 2010	242,669	362,443	482,705	283,808	1,371,625
On disposals	–	–	–	(22,303)	(22,303)
Charge for the year	22,061	32,949	44,467	22,468	121,945
At 31 March 2011	264,730	395,392	527,172	283,973	1,471,267
Net book value					
At 31 March 2011	838,308	1,252,076	1,608,898	72,789	3,772,071
At 31 March 2010	860,369	1,285,025	1,653,365	81,730	3,880,489
RSE					
Net book value					
At 31 March 2011	838,308	1,252,076	–	25,068	2,115,452
At 31 March 2010	860,369	1,285,025	–	25,763	2,171,157

15 Fixed asset investments

	Value at 1 April 2010 £	Investments made at cost £	Proceeds on sale of investments £	Gain / (Loss) £	Revaluation £	Market value at 31 March 2011 £
(a) Fixed asset investments						
RSE						
Managed Funds	973,727	353,814	(204,358)	8,643	68,812	1,200,638
Fixed interest	1,768,138	236,446	(342,808)	13,422	21,962	1,697,160
UK equities	2,463,103	885,650	(338,746)	21,980	124,837	3,156,824
Cash deposits	37,671	(913,412)	885,912	–	–	10,171
	5,242,639	562,498	–	44,045	215,611	6,064,793
BP Research Fellowship Trust						
Managed Funds	729,443	142,228	(177,263)	(1,653)	43,715	736,470
Fixed interest	772,104	82,487	(58,018)	767	15,294	812,634
UK equities	1,349,530	243,997	(253,820)	(8,927)	63,728	1,394,508
Cash deposits	36,204	(522,788)	489,101	–	–	2,517
	2,887,281	(54,076)	–	(9,813)	122,737	2,946,129
RSESF Caledonian Research Fund						
Managed Funds	1,341,204	707,622	(579,688)	(19,378)	109,116	1,558,876
Fixed interest	2,130,370	371,495	(114,648)	849	30,089	2,418,155
UK equities	4,474,134	452,436	(899,042)	(26,612)	57,316	4,058,232
Cash deposits	7,584	(1,559,255)	1,593,378	–	–	41,707
	7,953,292	(27,702)	–	(45,141)	196,521	8,076,970
	16,083,212	480,720	–	(10,909)	534,869	17,087,892

The loss on sale of investments measured against their historical cost was £678,408 (2010: £226,346). The historical cost of investments was £14,820,983 (2010: £13,661,849). (RSE £5,465,908 2010: £4,689,373). Investments comprising more than 5% of the market value of the portfolio were: European Investment Bank 4.75% (2018).

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15 Fixed asset investments (continued)

(b) Loan by RSE to RSE Scotland Foundation	2011 £	2010 £
Due within one year	46,808	46,808
Due after one year	1,657,096	1,703,904
	1,703,904	1,750,712

The loan bears interest at 4% per annum, capped at the amount of rent received by the Foundation and is repayable over the period to 30 June 2047, the expiration of the lease of 26 George Street.

16 Debtors

	2011 £	2010 £
General debtors	1,118,998	563,664
Prepayments and accrued income	5,285	15,144
Income tax recoverable	–	26,058
RSE	1,124,283	604,866
RSE Scotland Foundation – Debtors	76,374	151,363
RSE Scotland Foundation – Prepayments	10,897	10,228
BP Research Fellowship Trust	5,608	4,335
Group	1,217,162	770,792

17 Creditors: Amounts falling due within one year

	2011 £	2010 £
Group		
General creditors	870,246	550,887
Accruals	98,260	61,713
VAT payable	30,873	34,131
University of Glasgow (note 21)	–	7,612
Deferred income	433,224	510,486
Event income deferred	51,341	47,130
Advance receipts – Publications	86,769	104,525
	1,570,713	1,316,484

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17 **Creditors:** Amounts falling due within one year (*continued*)**Deferred income and advance receipts analysis**

	At 1 April 2010	Received in year	Recognised in year	Exchange difference	At 31 March 2011
Marie Curie COFUND	444,518	–	(22,931)	(12,363)	409,224
Friends of the Society	8,000	12,250	(16,250)	–	4,000
Climate Change Inquiry	55,474	35,000	(70,474)	–	20,000
Chemistry Project	2,494	–	(2,494)	–	–
	510,486	47,250	(112,149)	(12,363)	433,224
Journal receipts	104,525	188,310	(206,066)	–	86,769
Event income	47,130	9,855	(5,644)	–	51,341

RSE	2011	2010
	£	£
General creditors	878,836	483,950
RSE Scotland Foundation current account	923,238	660,244
Deferred income	433,224	510,486
University of Glasgow (note 21)	–	7,612
Symposia income deferred	51,341	47,130
	2,286,639	1,709,422

18 **Provision for liabilities and charges**

£

Commitments for research fellowships

At 1 April 2010 – Group & RSE	389,992
New commitments:	–
Lloyds TSB Foundation for Scotland Research Fellowships	
Grants paid in the year	(162,142)
RSE @ Dumfries & Galloway	(10,000)
At 31 March 2011	217,850

The provision represents amounts payable under a constructive obligation in respect of research fellowships due as follows:
2011-12 £95,505; 2012-13 £45,843

19 **General Fund**

£

At 1 April 2010	347,514
Net movement in funds for the year from statement of financial activities	410,723
At 31 March 2011	758,237

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20 Designated Funds

	At 1 April 2010	Investment income	Other income	Expenditure	Gains/(Losses)	Transfers	At 31 March 2011
	£	£	£	£	£	£	£
Capital Asset Reserve	3,896,108	–	–	–	–	(101,818)	3,794,290
Development Appeal Fund	2,629,344	104,113	62,500	(36,697)	125,477	–	2,884,737
Programme Fund	115,505	4,725	–	–	5,721	–	125,951
CH Kemball Fund	25,997	1,063	–	–	1,288	–	28,348
Grants Fund	596,105	24,384	–	(17,229)	29,524	–	632,784
Dr James Heggie Fund	223,947	9,161	–	(11,699)	11,091	–	232,500
	7,487,006	143,446	62,500	(65,625)	173,101	(101,818)	7,698,610

The transfers represent the release from the Capital Asset Reserve of a total of £101,818 to match the depreciation of buildings and the amount of capital repayment of the loan to the Foundation.

21 Restricted Funds

	At 1 April 2010	Investment income	Other income	Expenditure	Gains/(Losses)	Transfers	At 31 March 2011
	£	£	£	£	£	£	£
Robert Cormack Bequest	109,039	4,460	–	(6,611)	5,400	–	112,288
Lessells Trust	449,231	18,376	6,249	(36,584)	22,249	–	459,521
Auber Bequest	432,733	17,701	–	(6,711)	21,432	–	465,155
Prizes Fund	69,914	2,860	–	(7,195)	3,463	–	69,042
Dryerre Fund	492,520	20,147	–	(27,972)	24,394	–	509,089
Fleck	99,239	4,059	–	(2,139)	4,915	–	106,074
Piazzi Smyth	14,071	576	–	(938)	697	–	14,406
Sillitto	34,046	170	–	–	–	–	34,216
Others	26,208	1,072	–	(406)	1,298	–	28,172
Edinburgh Drug Absorption Foundation	120,770	605	–	–	–	–	121,375
Restricted Income Fund	–	–	4,567,069	(4,567,069)	–	–	–
RSE	1,847,771	70,026	4,573,318	(4,655,625)	83,848	–	1,919,338
RSE Scotland Foundation	8,592,037	314,476	477,904	(566,308)	151,380	(116,470)	8,853,019
BP Research Fellowship Trust	2,881,257	122,113	–	(163,824)	112,924	–	2,952,470
Total	13,321,065	506,615	5,051,222	(5,385,757)	348,152	(116,470)	13,724,827

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21 Restricted funds (continued)

"Prizes Fund" comprises The Keith Fund, The Neill Fund, The Makdougall-Brisbane Fund, The Gunning-Victoria Fund, The James Scott Prize Fund, the Bruce-Preller Lecture Fund, The Dr DA Berry Fund, The Henry Duncan Prize Lecture Fund and The BP Prize Lecture in the Humanities Fund.

"Others" comprise the Retailing Seminars Fund and The CASS Fund. The Restricted Income Fund represents restricted income received and expended in the year.

Under the terms of the Lessells Trust the University of Glasgow is entitled to 10% of additional amounts received by the RSE from the Trust. The balance included in creditors at 31 March 2010 represents the total sum apportioned but not yet paid over to the University (note 17).

The funds of the RSE Scotland Foundation are treated as restricted in respect of the consolidated accounts and comprise funds received from the CRF £7,958,588, the endowment for the upkeep of the James Clerk Maxwell statue £31,870 and the balance of the Foundation general fund of £601,579.

22 Analysis of assets between funds

Group	General £	Designated Funds £	Restricted Funds £	2011 £	2010 £
Fund balances at 31 March 2011 are represented by:					
Tangible fixed assets	25,064	2,090,388	1,656,619	3,772,071	3,880,489
Investments	493,074	3,807,975	12,786,843	17,087,892	16,083,212
Loan to RSE Scotland Foundation	–	1,703,904	(1,703,904)	–	–
Current assets	1,124,283	–	92,879	1,217,162	770,792
RSE Scotland Foundation current account	(923,238)	–	923,238	–	–
Deposits	29,356	96,343	1,637,362	1,763,061	2,231,664
Cash	109,181	–	20,870	130,051	310,904
Current liabilities	(99,483)	–	(1,471,230)	(1,570,713)	(1,316,484)
Provisions for liabilities and charges	–	–	(217,850)	(217,850)	(389,992)
Pension fund liability	–	–	–	–	(415,000)
	758,237	7,698,610	13,724,827	22,181,674	21,155,585

RSE	General £	Designated Funds £	Restricted Funds £	2011 £	2010 £
Fund balances at 31 March 2011 are represented by:					
Tangible fixed assets	25,064	2,090,388	–	2,115,452	2,171,157
Investments	493,074	3,807,975	1,763,744	6,064,793	5,242,639
Loan to RSE Scotland Foundation	–	1,703,904	–	1,703,904	1,750,712
Current assets	1,124,283	–	–	1,124,283	604,866
RSE Scotland Foundation current account	(923,238)	–	–	(923,238)	(660,244)
Deposits	29,356	96,343	1,637,362	1,763,061	2,231,664
Cash	109,181	–	–	109,181	195,667
Current liabilities	(99,483)	–	(1,263,918)	(1,363,401)	(1,049,178)
Provisions for liabilities and charges	–	–	(217,850)	(217,850)	(389,992)
Pension fund liability	–	–	–	–	(415,000)
	758,237	7,698,610	1,919,338	10,376,185	9,682,291

notes to the financial statements

23 Pension costs

(a) *Universities Superannuation Scheme*

The RSE participates in the Universities Superannuation Scheme, a defined benefit pension scheme which is externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of the scheme are held in a separate trustee-administered fund. The fund is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustee on the advice of the actuaries. In the intervening years the actuaries review the progress of the scheme.

It is not possible to identify each Institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contributions scheme. The cost recognised within the result for the year is equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was at 31 March 2008. The most significant assumptions, those relating to the rate of return on investments and the increase in salary and pensions are as follows:

	Past service liabilities	Future service liabilities
Investment return	4.4%	6.1%
Salary increase	4.3%	4.3%
Pension increase	3.3%	3.3%

At the valuation date the market value of the scheme's assets was £28,842.6 million and the value of past service liabilities was £40,619.2 million on the scheme's historical funding basis. The value of the assets represented 71% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contribution rate payable by the RSE in the year was 14.0% of pensionable salaries. The actuary has confirmed that it is appropriate to take the pension charge to be equal to the actual contribution paid during the year. The contribution rate payable increased to 16% of pensionable salaries with effect from 1 October 2009. The total pension cost payable to USS in the year was £17,274.

(b) *Lothian Pension Fund*

The RSE also participates in the Lothian Pension Fund, a defined benefit pension scheme established under Local Government Pension Fund Regulations. This scheme has determined that it is possible to ascertain the shares of assets and liabilities relating to individual admitted bodies. The assets of the scheme are held in a separate trustee-administered fund.

The fund is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustee on the advice of the actuaries. In the intervening years the actuaries review the progress of the scheme.

At the latest valuation date the market value of the scheme's assets was £2,903 million and the value of past service liabilities was £3,427 million. The value of the assets represented 85% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contribution rate payable by the RSE was: 21.3%. The actuary has confirmed that it is appropriate to take the pension charge to be equal to the actual contribution paid during the year.

Trustees' Report & Accounts 2010 – 2011

notes to the financial statements

23 Pension costs (continued)

Pension fund asset / (liability)

The RSE pension fund asset at 31 March and the movements of its component parts comprise:

	2011 £'000	2010 £'000
Present value of funded liabilities (defined benefit obligation)	(2,087)	(2,299)
Fair value of employer assets	2,174	1,884
Net asset at 31 March	87	(415)

In accordance with the accounting policy, this asset is not recognised in the balance sheet as it is not expected to be recoverable in the foreseeable future.

	2011 £'000	2010 £'000
Movement in present value of defined benefit obligation		
At 1 April	2,299	1,128
Current service cost	147	61
Past service costs	(222)	13
Interest cost	123	82
Contribution by members	46	41
Actuarial losses/(gains)	(299)	981
Benefits paid	(7)	(7)
At 31 March	2,087	2,299

	2011 £'000	2010 £'000
Movement in fair value of employer assets		
At 1 April	1,884	1,267
Expected return on assets	144	89
Contributions by members	46	41
Contributions by the employer	144	120
Actuarial gains/(losses)	(37)	374
Benefits paid	(7)	(7)
At 31 March	2,174	1,884

	2011 £'000	2010 £'000
The net expense recognised in the statement of financial activities after FRS17 adjustments was		
Current service cost	147	61
Interest cost	123	82
Expected return on employer assets	(144)	(89)
Past service cost/(gain)	(222)	13
	(96)	67

The total amount recognised in the statement of financial activities in respect of actuarial gains and losses is a gain of £175,000 (2010: loss of £607,000). This gain has been restricted from £262,000 to reflect the expectations in respect of recovery of the net asset at 31 March 2011.

Trustees' Report & Accounts 2010 – 2011

notes to the financial statements

23 Pension costs (continued)

The fair value of the employer assets at 31 March and the return on them in the year was:

	Value 2011 £'000	Return 2011 %	Value 2010 £'000	Return 2010 %
Equities	1,718	7.5	1,488	7.8
Bonds	174	4.9	151	5.0
Property	217	5.5	170	5.8
Cash	65	4.6	75	4.8
	2,174		1,884	
Actual return on plan assets	109		463	

The expected rates of return on plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the Plan's investment portfolio.

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2011 %	2010 %
Inflation/pension increase rate	2.8	3.8
Salary increase rate	5.1	5.3
Expected return on assets	7.0	7.3
Discount rate	5.5	5.5

The salary increase assumption at 31 March 2011 is 1% per annum for the first two years thereafter.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date as based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

	Males 2011	Females	Males 2010	Females			
Current pensioners	20.8 years	24.1 years	20.8 years	24.1 years			
Future pensioners	22.3 years	25.7 years	22.3 years	25.7 years			
The history of the plan for the current and prior periods is as follows:	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Present value of defined benefit obligation	(2,087)	(2,299)	(1,128)	(1,145)	(1,298)	(1,250)	(561)
Fair value of employer assets	2,174	1,884	1,267	1,437	1,347	1,130	485
Surplus/(deficit)	87	(415)	139	292	49	(120)	(76)
Experience gains and losses on assets and liabilities have been as follows:	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Experience gains/(losses) on liabilities	-	-	28	-	(1)	(30)	-
Experience gains/(losses) on assets	(37)	374	(396)	(140)	8	171	13

The projected amount to be charged in respect of the Lothian Pension Fund defined benefit scheme in the next financial year is £155,000.

(c) Pension charge

The total pension charge for the year, before the exceptional FRS17 pension credit, was £161,519 (2010: £86,999 after FRS 17 pensions credit).

notes to the financial statements

24 Transactions with Related parties

(a) Council members

No member of Council received any payments other than reimbursements of expenditure on travel and subsistence costs actually and necessarily incurred in carrying out their duties as Councillors and Officers. The aggregate of such reimbursements to those Council members who charged expenses amounted to £1,538 (2010: £2,924).

b) Other related parties

The RSE President, Lord Wilson of Tillyorn, who is a trustee ex-officio of the Foundation, is also a trustee of the Carnegie Trust for the Universities of Scotland, which administers the CRF postgraduate studentships on behalf of the Foundation. The RSE Director of Finance is also a part-time employee of the Carnegie Trust for the Universities of Scotland. In 2010 – 11 the Foundation made payments in support of the studentship scheme amounting to £95,933 (2010 – £87,944).

25 Connected charitable trusts

(a) RSE Scotland Foundation

The RSE Scotland Foundation is a charitable trust, recognised in Scotland as Scottish charity number SCO24636. It was created in March 1996 with the object of advancing the education of the public in Scotland in science and engineering and in so doing to conserve the scientific and cultural heritage of Scotland. The President, General Secretary, Treasurer, Curator and a Vice-President of the RSE are *ex officio* Trustees of the Foundation, which draws on the resources of the RSE in carrying out its objects. The Foundation also has five nominated Trustees. The Foundation became publisher of the RSE's journals under a Publications Rights License effective from 1 January 1997.

On 1 July 1997 the RSE granted to the Foundation a 50-year lease over 26 George Street carrying an obligation to refurbish the building within a three-year period. The Council of the RSE agreed to make a loan of up to £2.3 million available to the Foundation in support of the refurbishment. The agreed terms of the loan are as described in note 16.

(b) BP Research Fellowships Trust

The BP Research Fellowships Trust funds a scheme of post doctoral research fellowships administered by the RSE.

26 Supplementary information: grants, donations and receipts

(a) Scottish Government Grants Income

	2011	2010
	£	£
Promotion of research	1,727,569	1,456,169
Arts and Humanities Award	487,071	122,193
Generating & Communicating knowledge	373,624	372,358
International activities	307,286	307,398
	2,895,550	2,258,118

The funding for 2010–11 was a grant under S23 Natural Heritage (Scotland) Act 1985 in support of the four programmes of activity: Research Fellowships, Arts & Humanities Awards; International grants & relations and Generating & Communicating knowledge.

At 31 March 2011 the financial commitment in respect of Personal and Support Fellowships awarded subject to Scottish Government funding in the years, 2011–12, 2012–13, 2013–14 and 2014–15 amounted to £1,736,963, £1,699,830, £1,129,066 and £525,489 respectively. These amounts are treated as obligation of future years to be financed by specific funding expected to be made available from the Scottish Government.

notes to the financial statements

26 Supplementary information: grants, donations and receipts *(continued)*

(b) Recurring donations in support of activities

The Lloyds TSB Foundation for Scotland supports postdoctoral fellowships, postgraduate studentships and lectures and conferences to fund and disseminate research aimed at improving the quality of life for an ageing population.

	Scottish Enterprise £	Lloyds TSB Foundation for Scotland £	Gannochy Trust £
Income			
Promotion of research & innovation	573,831	–	105,000
Costs			
Promotion of research & innovation	506,559	143,609	86,946
RSE @ Dumfries & Galloway	–	10,000	–
Provision for future costs	–	(172,142)	–
RSE administration and staff costs recovery	67,272	18,533	18,054
	573,831	–	105,000

(c) Other donations in support of activities

The RSE gratefully acknowledges all those who make donations in support of activities. The companies, trusts and other bodies which made donations of £1,000 or more in support of activities in the year ended 31 March 2011 were as follows:

Buccleuch Charitable Foundation
 City of Edinburgh Council
 Darwin Trust
 Edinburgh Beltane
 Forestry Commission Scotland
 French Embassy
 Gannochy Trust
 Inchcape Shipping Services
 Lloyds Banking Group Scotland
 Scottish Cancer Foundation
 Scottish Natural Heritage
 Scottish Water
 The Holywood Trust

notes to the financial statements

26 Supplementary information: grants, donations and receipts *(continued)*

(d) Friends of the Society

The Friends of the Society – corporate partners of the RSE, during the year ended 31 March 2011 were as follows:

Aegon UK plc
 Arup Group
 BP plc
 Lloyds Banking Group plc
 Royal Bank of Scotland plc
 Scottish Enterprise
 Shell UK
 Wood Group plc

27 Analysis of net funds

	At 31 March 2011 £	Cash flows £	At 1 April 2010 £
Cash at bank	130,051	(180,853)	310,904
Deposits – general	29,356	(606,824)	636,180
Deposits – designated funds	96,343	479	95,864
Deposits – restricted funds	1,637,362	137,742	1,499,620
	1,893,112	(649,456)	2,542,568

Professional Advisers

Auditors

Henderson Loggie
34 Melville Street
Edinburgh

Bankers

Bank of Scotland plc
38 St Andrew Square
Edinburgh

Stockbrokers / Investment Advisers

Speirs & Jeffrey & Co Ltd
36 Renfield Street
Glasgow

Solicitors

Shepherd & Wedderburn WS
1 Exchange Crescent
Conference Square
Edinburgh

Further information about the activities of the Royal Society of Edinburgh and additional copies of this Trustees' Report may be obtained from:

Dr W Duncan

Chief Executive

The Royal Society of Edinburgh

22 – 26 George Street

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The Royal Society of Edinburgh is Scotland's national academy. Founded in 1783, its Fellowship includes some of the best intellectual talent in academia, the professions and business. It facilitates public debate, research programmes, educational projects and strategy formulation. Its strength is its diversity and impartiality. The Society's unique multi-disciplinary approach enables it to draw from and link with a broad spectrum of expertise to advance the understanding of globally-important issues. In fulfilling its Royal Charter for the 'advancement of learning and useful knowledge', the RSE is seeking to contribute to the social, cultural and economic wellbeing of Scotland.

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