

The Institute of Physics

Report and Financial Statements

Year Ended

31 December 2003



BDO Stoy Hayward
Chartered Accountants

THE INSTITUTE OF PHYSICS

Annual report and financial statements for the year ended 31 December 2003

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Administrative details

Trustees

Professor D J Wallace	President
Sir Peter Williams	Immediate past president (retired 30 September 2003)
Professor E Jakeman	Honorary secretary (retired 30 September 2003)
Professor J Beeby	Honorary secretary (elected 1 October 2003)
Dr J A Scott	Honorary treasurer

Vice presidents

Dr R Fenn
Professor M J Kelly
Sir Gareth Roberts
Professor A Wallard

Ordinary Members of Council

Dr S Bennett (elected 1 October 2003)
Professor L M Brown
Professor M G Burt
Mrs P Endersby (elected 1 October 2003)
Dr A J Harper
Professor M Hayns (retired 30 September 2003)
Dr A M Hodge (retired 30 September 2003)
Dr J James
Ms H Reynolds
Mr M Thomas (elected 1 October 2003)
Professor R H Williams

Branch representatives

Mr N Marks
Dr E M Parvin

Group representatives

Professor A W Lees
Professor I W Marshall

Division representatives

Professor J D C Jones
Professor C J Latimer

Co-opted

Professor A Boksenberg (retired 30 September 2003)
Dr J Corbett (elected 1 October 2003)
Professor G J Davies (retired 30 September 2003)

THE INSTITUTE OF PHYSICS

Administrative details

Headquarters

76 Portland Place, London W1B 1NT. Telephone: 020 7470 4800 Facsimile: 020 7470 4848

Charity number

293851

Auditors

BDO Stoy Hayward LLP, Emerald House, East Street, Epsom, Surrey KT17 1HS

Bankers

Lloyds TSB Bank plc, Knightsbridge Branch, 9/13 Brompton Road, London SW3 1DD

Solicitors

Speechly Bircham, 6 St Andrew Street, London EC4A 3LX

Investment advisers

Frank Russell Company, Rex House, 10 Regent Street, London SW1Y 4PE

Subsidiary companies

IOP Publishing Limited, Dirac House, Temple Back, Bristol BS1 6BE
IOP Events Limited, 76 Portland Place, London W1B 1NT
IOP Publishing Inc, The Public Ledger Building, Suite No 929
150 South Independence Mall West, Philadelphia, PA 19106 USA

THE INSTITUTE OF PHYSICS

Report of the trustees for the year ended 31 December 2003

General

The Institute of Physics was established in its present form by Royal Charter dated 17 September 1970. The Royal Charter and Bylaws set out the object of the Institute and the framework within which it conducts its affairs. The object of the Institute as stated in the Royal Charter is “to promote the advancement and dissemination of a knowledge of and education in the science of physics, pure and applied.”

Statement of Trustees’ responsibilities

The trustees of the Institute of Physics are the members of the Council. They are elected and appointed in accordance with the Royal Charter and Bylaws.

Under the Royal Charter and Bylaws of The Institute of Physics, Council is required to prepare financial statements for each financial year which show a true and fair view of the state of affairs of the group and the Institute at the end of the year and of the financial activities of the group during the year then ended.

In preparing those financial statements, Council is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity and the group will continue in operation.

Council is required to act in accordance with the Royal Charter and Bylaws of The Institute of Physics within the framework of charity and trust law. It is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and the Institute and which enable them to ensure that the financial statements comply with the Charities Act 1993 and accord with applicable accounting standards including the Statements of Recommended Practice 2000 ‘Accounting and Reporting by Charities.’ It is also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Reports for the year 2003

Financial review of the year

Total incoming resources in the year were £29,103k (£28,900 in 2002). Gift aid to the Institute from the publishing company was £6,181k (£5,942k in 2002). There were two bequests made to the Institute during 2003. John Barton left £50k to the Institute and this was used to refurbish the old library area into a business centre for members. £102k was left by D A Palmer and is held in designated funds to be used against a specific project in 2004. Investment income has reduced further following a full year of the new pooled arrangements where the investment income is credited directly to the respective funds and reflected in their market values. The market value of the fund at 31 December 2003 improved to £20,518k compared with £17,489k at the previous year end. The negative revaluation fund of £2,404k has now been eradicated leaving a positive balance of £606k. IOP Events Ltd was again disrupted by the building works at 80 Portland Place and trading was seriously curtailed in the first six months of the year. Despite this, IOP Events Ltd was able to gift aid to the Institute £128k (£35k in 2002).

Total resources expended in the year were £27,791k (£29,037 in 2002), of this 92% was in fulfilment of the Institute’s charitable objective.

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Report of the trustees for the year ended 31 December 2003 (*Continued*)

Activities during the year

The Institute continued to devote its attentions to promoting physics within the profession and the broader community.

Its headquarters were enlarged to include a new lecture theatre and several large meeting and conference rooms. The benefits of this should be seen in 2004, both by the Institute's members and in IOP Events Ltd.

The publishing company experienced another successful year despite the continuing low advertising revenue in some publications.

A full review of the activities of the Institute during the year is published in the annual review, copies of which may be obtained on request from the Public Relations Department, Institute of Physics, 76 Portland Place, London, W1B 1NT

Reserves policy

The Charter and Bylaws confer powers on the Institute to maintain income reserves. Council reviews at least annually both the Institute's continuing need for reserves and their appropriate level. The reserves policy set out below is based on and is consistent with guidance on the subject issued by the Charity Commission.

In an attempt to reduce its dependence on journals the Institute has sought to develop new publishing and non-publishing revenue-earning activities. However the scope for this is limited and the Institute's financial viability still remains largely dependent on its traditional core publishing activity.

Council has therefore determined a policy to set aside funds to build up an unrestricted income fund for the following reasons:

- As a financial safety net to enable the Institute to continue to carry out its strategic aims in pursuance of its charitable object in the event of a decline in its traditional sources of revenue.
- As a course of capital funding for the further development of its publishing and other activities.
- As an employer, to meet future obligations which may arise in the pension scheme.

Council has considered the level of reserves appropriate to meet the above purposes and, taking into account:

- reasonable expectations of revenue from all sources
- the need for investment funding for future development needs
- the volatility of financial markets

has determined that total reserves should ideally be in the order of £55m. The level of reserves on 31 December 2003 was £31m. Although the value of the investments has fallen significantly over the last three years as a result of the decline in world markets, Council's reserves policy remains unchanged.

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Report of the trustees for the year ended 31 December 2003 (*Continued*)

Investment policy

- Frank Russell Company is the Institute's professional fund manager. Their appointment is reviewed annually.
- Frank Russell Company operate on a multi-manager basis and appoint specialist firms to manage the funds in different asset categories. Day to day investment decisions are delegated to the individual fund managers and the total portfolio is managed by Frank Russell Company within the terms of the investment strategy as approved by Council.
- Frank Russell Company report quarterly on the market value and financial performance of the fund and periodically attend meetings of the Finance and Investment board which reviews the performance of the fund.
- The Institute's investment objective for the total portfolio is to outperform, over rolling three year periods the relevant benchmarks by 1.5% gross of fees.
- In the year ended 31 December 2003, although the fund slightly under-performed against the overall benchmarks, it still experienced growth of 18.2%, a substantial recovery on the previous year.

Funds

The balances on the individual funds of the Institute at 31 December 2003 are considered adequate to meet their respective commitments.

Risk management

The Institute maintains a register of significant risks and maintains systems to control and mitigate them. This is reviewed by an Audit and Risk Committee which reports to Council on a regular basis.

Auditors

BDO Stoy Hayward were appointed as auditors during 2003. On 31 December 2003, BDO Stoy Hayward, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

By order of Council

Professor J Beeby
Honorary Secretary

76 Portland Place
London
W1B 1NT
[date]

THE INSTITUTE OF PHYSICS

Report of the auditors to the trustees of The Institute of Physics

We have audited the financial statements of The Institute of Physics for the year ended 31 December 2003 on pages 7 to 25.

Respective responsibilities of trustees and auditors

The trustees' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Trustees' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the Institute has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the Institute is not disclosed.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it. We have been appointed auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act.

Our report has been prepared pursuant to the requirements of the Charities Act 1993 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Charities Act 1993 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the group and the Institute as at 31 December 2003 and of the group's incoming resources and application of resources for the year then ended and have been properly prepared in accordance with the Charities Act 1993.

BDO STOY HAYWARD LLP

Chartered Accountants and Registered Auditors
Epsom, Surrey

Date

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Consolidated statement of financial activities for the year ended 31 December 2003

	Note	Non publishing activities £'000	Publishing £'000	Total 2003 £'000	Total 2002 £'000
Incoming resources					
Charitable activities					
Bequests		152	-	152	-
Membership Subscriptions		1,031	-	1,031	989
Conference income		423	-	423	680
Group affiliation fees		68	-	68	77
Sundry income		451	-	451	271
Trading turnover of IOP Publishing Limited		-	23,758	23,758	22,196
Other activities to generate funds					
IOP Events Limited		128	-	128	35
Advertisement income of IOP Publishing Limited		-	2,966	2,966	4,075
Investment income		38	88	126	577
		<u>2,291</u>	<u>26,812</u>	<u>29,103</u>	<u>28,900</u>
Resources expended					
Cost of generating funds					
Direct charitable expenditure	2	(6,142)	(19,328)	(25,470)	(26,536)
Management and administration	3	(434)	(1,887)	(2,321)	(2,501)
		<u>(6,576)</u>	<u>(21,215)</u>	<u>(27,791)</u>	<u>(29,037)</u>
Total resources expended					
	4	(6,576)	(21,215)	(27,791)	(29,037)
Net incoming/(outgoing) resources before:					
Transfers between funds					
- Gift aid		6,181	(6,181)	-	-
- Physics World	5	(590)	590	-	-
		<u>1,306</u>	<u>6</u>	<u>1,312</u>	<u>(137)</u>
Net incoming/(outgoing) resources					
		<u>1,306</u>	<u>6</u>	<u>1,312</u>	<u>(137)</u>
Gains/(losses) on investment assets:					
Realised					
		19	-	19	(141)
		<u>1,325</u>	<u>6</u>	<u>1,331</u>	<u>(278)</u>
Net incoming/(outgoing) resources after realised gains					
		<u>1,325</u>	<u>6</u>	<u>1,331</u>	<u>(278)</u>
Other recognised gains/losses					
Gains/(losses) on investment assets:					
Unrealised					
		3,010	-	3,010	(4,562)
		<u>4,335</u>	<u>6</u>	<u>4,341</u>	<u>(4,840)</u>
Net movements in funds					
		<u>4,335</u>	<u>6</u>	<u>4,341</u>	<u>(4,840)</u>
Fund balances brought forward as previously stated					
		27,120	(487)	26,633	31,829
Prior year adjustment					
		-	-	-	(356)
		<u>31,455</u>	<u>(481)</u>	<u>30,974</u>	<u>26,633</u>
Fund balances carried forward					

All amounts relate to continuing activities. All gains and losses recognised in the year are included above. The notes on pages 10 to 25 form part of these financial statements.

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Balance sheets at 31 December 2003

	Note	Group 2003 £'000	Group Restated 2002 £'000	Charity 2003 £'000	Charity Restated 2002 £'000
Fixed assets					
Intangible assets	8	1,310	1,496	-	-
Tangible assets	9	9,826	9,453	7,833	7,182
Investments in subsidiary companies	10	-	-	500	500
Investments	11	20,518	17,489	20,518	17,489
		<u>31,654</u>	<u>28,438</u>	<u>28,851</u>	<u>25,171</u>
Current assets					
Stocks and work in progress	12	1,217	1,211	-	-
Debtors	13	2,992	3,095	629	670
Cash at bank and in hand		12,191	10,257	8,426	5,403
		<u>16,400</u>	<u>14,563</u>	<u>9,055</u>	<u>6,073</u>
Creditors: amounts falling due within one year	14	(17,080)	(16,068)	(6,451)	(4,124)
Net current assets / (liabilities)		<u>(680)</u>	<u>(1,505)</u>	<u>2,604</u>	<u>2,1949</u>
Total assets less current liabilities		<u>30,974</u>	<u>26,933</u>	<u>31,455</u>	<u>27,120</u>
Creditors: amounts falling due after more than one year	15	-	(300)	-	-
Net assets		<u>30,974</u>	<u>26,633</u>	<u>31,455</u>	<u>27,120</u>
Income funds					
General fund	16	29,769	28,521	30,250	29,008
Designated funds	16	430	363	430	363
Restricted funds	16	169	153	169	153
Investment revaluation fund	16	606	(2,404)	606	(2,404)
		<u>30,974</u>	<u>26,633</u>	<u>31,455</u>	<u>27,120</u>

These financial statements were approved by Council on

2004 and were signed on its behalf by

[Name of signatory]

The 2002 figures have been restated to reflect the change in accounting treatment for funds held on behalf of other organisations; these have been moved from restricted funds to creditors.

The notes on pages 10 to 25 form part of these financial statements.

THE INSTITUTE OF PHYSICS**Consolidated cash flow statement for the year ended 31 December 2003**

	Note	2003 £'000	2003 £'000	2002 £'000	2002 £'000
Net cash inflow from operating activities	18		3,991		1,020
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(2,061)		(2,524)	
Sale of tangible fixed assets		4		3	
Purchase of general investments		(1,381)		(19,584)	
Sale of general investments		1,381		18,609	
			<u>(2,057)</u>		<u>(3,496)</u>
Increase/(decrease) in cash	19		1,934		(2,476)

The notes on pages 10 to 25 form part of these financial statements.

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Notes forming part of the financial statements for the year ended 31 December 2003

1 Accounting policies

The financial statements have been prepared under the historical cost convention as modified by the inclusion of investments at market value and in accordance with applicable accounting standards. In preparing the financial statements the charity has complied with the requirements of the Charities Act 1993 and the Statement of Recommended Practice 'Accounting and Reporting by Charities' (SORP) issued in October 2000.

Basis of consolidation

The financial statements consolidate the results of the Institute of Physics with those of its trading subsidiaries as at 31 December using the acquisition method of accounting. Under this method, the results of subsidiary undertakings acquired and disposed of in the year are included in the consolidated statement of financial activities from the date of acquisition or up to the date of disposal. The column headed "Publishing activities" in the consolidated statement of financial activities discloses the results of IOP Publishing Limited and its subsidiary companies. The net results of the Institute's other trading subsidiary, IOP Events Limited, appear in the section of the consolidated statement of financial activities headed "Incoming resources."

Fixed assets and depreciation

The value of leasehold property is amortised over the remaining periods of the relevant leases.

76 Portland Place, London (expires 2055)

80 Portland Place, London (expires 2021)

Dirac House, Bristol (expires 2011)

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Office machinery	-	4 years
Fixtures and fittings	-	4 – 10 years
Computers	-	4 years
Improvements (76 Portland Place)	-	10 years
Refurbishment (Dirac House)	-	9 years – remaining life of lease
Conversion/Refurbishment (80 Portland Place)	-	18 years – remaining life of lease

Investments

Investments are included in the balance sheet at the value of the individual unitised holdings. Gains and losses are charged to the revaluation reserve as the market value adjustment

Income

Income is recognised when receivable, net of VAT if applicable. Membership and journal subscriptions are recognised when received and attributed to the financial years to which they relate. Sundry income is recognised when received.

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Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

1 Accounting policies (*Continued*)

Institute of Physics Retirement Benefits Plan 1975

The Institute operates the Institute of Physics Retirement Benefits Plan 1975 providing pension benefits based on final pensionable pay. This scheme was closed to new members on 31 December 2001. The assets of the scheme are held separately from those of the group in an independently administered fund. Contributions to the scheme are charged annually to the resources expended account so as to spread the cost of pensions over employees' working lives with the group.

Institute of Physics Group Personal Pension Scheme

A group personal pension scheme was established from 1 January 2002. This is a defined contribution pension scheme with assets held in the names of the individual members and managed by Standard Life Assurance Co Ltd. For those members of staff who choose to join the scheme the Institute contributes 10% of basic salary. The contributions are charged to the statement of financial activities as incurred.

Foreign currencies

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Any differences are taken to the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the year and the balance sheet translated into sterling at the rate of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves.

Foreign currency held at the balance sheet date, which is the subject of forward sale contracts, is valued in accordance with these contracts.

Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the objectives of the charity and which have not been designated for other purposes.

Designated funds comprise unrestricted funds, which have been set aside by the trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donors or which have been raised by the charity for particular purposes. The aim and use of each restricted fund is set out in the notes to the financial statements.

Movements in the value of investments are held in a separate designated fund.

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Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

1 Accounting policies (*Continued*)

Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of the resources. Management and administration costs are those incurred in connection with administration of the charity and compliance with constitutional and statutory requirements.

Stock and work in progress

Raw materials, work in progress and publications are valued at cost. Specific provision has been made, where necessary, to reduce the value of work in progress and publications to net realisable value.

Intangible fixed assets

Journal and magazine titles are capitalised on acquisition and amortised over periods appropriate to the individual titles concerned.

Goodwill

Goodwill represents the excess of costs of acquisition over the fair value of the separable net assets of business acquired. Goodwill is amortised through the statement of financial activities in equal instalments over its estimated useful life.

Operating leases

Rentals payable under operating leases are charged through the statement of financial activities on a straight-line basis over the terms of the leases.

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Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

2 Expenditure on charitable activities

	Non publishing activities £'000	Publishing activities £'000	Total 2003 £'000	Total 2002 £'000
Support costs	1,005	-	1,005	1,041
European Physical Society	106	-	106	91
Council, committee & annual meeting expenses	52	-	52	78
Education & Science	1,051	-	1,051	985
International & Business	226	-	226	358
Membership and Electronic services	1,091	-	1,091	744
Direct conference expenditure	797	-	797	1,121
Facilities	511	-	511	516
Groups, branches and divisions	367	-	367	358
Irrecoverable VAT (note 7)	133	-	133	193
Depreciation	743	-	743	647
Payment to Institute of Physics Retirement Benefit Fund (1975)	-	-	-	750
New Journal of Physics	60	-	60	65
Distribution and cost of sales of IOP Publishing Limited	-	8,059	8,059	8,506
Other charitable costs of IOP Publishing Limited	-	11,269	11,269	11,083
	<u>6,142</u>	<u>19,328</u>	<u>25,470</u>	<u>26,536</u>

3 Management and administration costs

	Non publishing activities £'000	Publishing activities £'000	Total 2003 £'000	Total 2002 £'000
Salaries and office costs	413	1,797	2,210	2,368
Legal and professional costs	5	63	68	56
Auditors' remuneration:				
Audit services	12	14	26	25
Non audit services	-	13	13	21
Investment management fees	-	-	-	26
Council, committee & annual meeting expenses	4	-	4	5
	<u>434</u>	<u>1,887</u>	<u>2,321</u>	<u>2,501</u>

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Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

4 Total resources expended

	Staff costs £'000	Other costs £'000	Depreciation £'000	Total 2003 £'000	Total 2002 £'000
Expenditure on charitable activities					
Support costs	493	512	-	1,005	1,041
European Physical Society	-	106	-	106	91
Council, committee & annual meeting expenses	-	52	-	52	78
Education & Science	441	610	-	1,051	985
International & Business	179	47	-	226	358
Membership & Electronic services	546	545	-	1,091	744
Direct conference expenditure	154	643	-	797	1,121
Facilities	228	283	-	511	516
Groups, branches and divisions	-	367	-	367	358
Irrecoverable VAT (note 7)	-	133	-	133	193
Depreciation	-	-	743	743	647
Payment to Institute of Physics Retirement Benefit Fund (1975)	-	-	-	-	750
New Journal of Physics	-	60	-	60	65
Distribution and cost of sales of IOP Publishing Limited	-	8,059	-	8,059	8,506
Other charitable costs of IOP Publishing Limited	7,457	3,017	795	11,269	11,083
	9,498	14,434	1,538	25,470	26,536
Other expenditure					
Management and administration:					
Institute of Physics	218	164	52	434	407
IOP Publishing Limited	606	1,210	71	1,887	2,094
	10,322	15,808	1,661	27,791	29,037
Staff costs comprise					
				2003 £'000	2002 £'000
Wages and salaries				8,684	8,567
Social security costs				674	645
Pension costs				964	1,036
				10,322	10,248

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Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

4 Total resources expended (*Continued*)

The number of employees earning more than £50,000 per year including pensions and other benefits can be analysed in the following bands:

	2003	2002
£50,000 - £59,999	6	9
£60,000 - £69,999	7	2
£70,000 - £79,999	1	3
£80,000 - £89,999	4	1
£90,000 - £99,999	3	1
£100,000 - £109,999	-	3
£120,000 - £129,999	1	-
£130,000 - £139,999	-	1
£140,000 - £149,999	-	1
£160,000 - £169,999	1	-
£170,000 - £179,999	1	-
The average number of employees was:	2003	2002
Charitable work – Institute of Physics	64	61
Publishing and distribution - IOP Publishing Limited	217	211
Management and administration:		
Institute of Physics	5	5
IOP Events Limited	5	4
IOP Publishing Limited	31	31
	<hr/>	<hr/>
	322	312
	<hr/> <hr/>	<hr/> <hr/>

The President, honorary officers and members of Council give their time to the Institute on a voluntary basis and are paid no remuneration for this work. They are reimbursed the actual costs of travel and subsistence necessarily incurred on the official business of the Institute and/or its subsidiaries. In the year to 31 December 2003 total expenses reimbursed were to 29 trustees (2002: 31) £21,135 (2002: £35,168).

5 Physics World & Electronic Archiving

During the year the Institute contributed £590,000 (2002: £560,000) to IOP Publishing Limited towards the cost of copies of *Physics World* supplied to members. The Institute also contributed £Nil (2002: £100,000) towards the cost of Electronic Journals Archiving Project.

6 Taxation

As a registered charity, the Institute is not liable to taxation on the net revenue from its charitable activities.

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Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

7 Irrecoverable VAT

There is a group VAT registration for the Institute of Physics and its subsidiaries. The VAT group is partly exempt and, because of this, there are restrictions on the amount of VAT recoverable.

8 Intangible fixed assets

Intangible fixed assets £1,310k (2002: £1,496k) represent the written down value of goodwill and trademarks (cost £1,951k (2002: £1,951k)).

9 Tangible fixed assets

Institute of Physics Group	Long leasehold property £'000	Fixtures and equipment £'000	Total £'000
<i>Cost or valuation</i>			
At 1 January 2003	9,521	7,261	16,782
Additions	1,226	835	2,061
Disposals	-	(173)	(173)
Foreign exchange revaluation	-	(25)	(25)
	<hr/>	<hr/>	<hr/>
At 31 December 2003	10,747	7,898	18,645
<i>Depreciation</i>			
At 1 January 2003	2,806	4,523	7,329
Charge for year	624	1,037	1,661
Disposals	-	(159)	(159)
Foreign exchange revaluation	-	(12)	(12)
	<hr/>	<hr/>	<hr/>
At 31 December 2003	3,430	5,389	8,819
<i>Net book value</i>			
At 31 December 2003	7,317	2,509	9,826
	<hr/>	<hr/>	<hr/>
At 31 December 2002	6,715	2,738	9,453
	<hr/>	<hr/>	<hr/>

THE INSTITUTE OF PHYSICS

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

9 Tangible fixed assets (*continued*)

	Long leasehold property £'000	Fixtures and equipment £'000	Total £'000
Direct charitable purposes	6,732	2,308	9,040
Management and administration	585	201	786
	<hr/>	<hr/>	<hr/>
	7,317	2,509	9,826
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Institute of Physics – Charity only			
	Long leasehold property £'000	Fixtures and equipment £'000	Total £'000
<i>Cost or valuation</i>			
At 1 January 2003	9,521	1,441	10,962
Additions	1,226	220	1,446
	<hr/>	<hr/>	<hr/>
At 31 December 2003	10,747	1,661	12,408
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Depreciation</i>			
At 1 January 2003	2,806	974	3,780
Charge for year	624	171	795
	<hr/>	<hr/>	<hr/>
At 31 December 2003	3,430	1,145	4,575
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Net book value</i>			
At 31 December 2003	7,317	516	7,833
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2002	6,715	467	7,182
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

10 Investments in subsidiary companies

Institute of Physics	2003	2002
	£'000	£'000
Investment in subsidiary undertakings – IOP Publishing Ltd	500	500
	<hr/>	<hr/>

<i>Name</i>	<i>Country of incorporation/ registration</i>	<i>Class of shares held</i>	<i>Percentage held</i>	<i>Nature of business</i>	<i>Year end</i>
IOP Publishing Ltd	UK	Ordinary	100%	Publishing	31 December 2003
IOP Events Ltd	UK	Ordinary	100%	Hire of conference facilities	31 December 2003

The authorised and issued share capital of IOP Publishing Limited and IOP Events Limited is £500,000 and £2 respectively. IOP Events Limited is capitalised by a loan of £100,000 from IOP Publishing Limited.

Details of the net assets/(liabilities) and profit/(loss) for the year of IOP Events Limited and IOP Publishing Limited are as follows:

	Net assets/(liabilities)		Profit/(loss) for the year	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
IOP Publishing Limited	19	13	6	(558)
IOP Events Limited	1	1	-	1
	<hr/>	<hr/>	<hr/>	<hr/>

11 Investments

	Group and Charity	
	2003	2002
	£'000	£'000
Market value at beginning of the year	17,489	21,217
Purchases in year	1,381	19,584
Disposal proceeds in year	(1,381)	(18,609)
Realised gains/(losses) on disposal	19	(141)
Unrealised gains/(losses) on revaluation	3,010	(4,562)
	<hr/>	<hr/>
Market value at end of the year	20,518	17,489
	<hr/>	<hr/>
Historical cost	19,893	19,893
	<hr/>	<hr/>

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Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

12 Stocks	Group 2003 £'000	Group 2002 £'000
Raw materials	140	111
Work in progress	320	226
Publications	752	874
Other	5	-
	<u>1,217</u>	<u>1,211</u>

13 Debtors	Group 2003 £'000	Group 2002 £'000	Charity 2003 £'000	Charity 2002 £'000
Value added tax	273	317	273	317
Trade debtors	1,397	1,421	40	-
Other debtors	1,119	1,220	70	250
Prepayments and accrued income	203	137	165	103
IOP Events Limited	-	-	81	-
	<u>2,992</u>	<u>3,095</u>	<u>629</u>	<u>670</u>

14 Creditors: amounts falling due within one year	Group 2003 £'000	Group Restated 2002 £'000	Charity 2003 £'000	Charity Restated 2002 £'000
Cash overdrawn at bank	-	2	-	-
Trade creditors	1,730	1,013	182	-
IOP Publishing Limited	-	-	5,564	3,057
IOP Events Limited	-	-	-	19
Other creditors	612	1,030	399	922
Other taxes on social security	350	241	-	-
Accruals	1,025	893	147	-
Deferred income	13,363	12,889	159	126
	<u>17,080</u>	<u>16,068</u>	<u>6,451</u>	<u>4,124</u>

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Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

14 Creditors: amounts falling due within one year (*continued*)

Deferred income represents income received in advance:

	Group 2003 £'000	Group 2002 £'000	Charity 2003 £'000	Charity 2002 £'000
Journals subscriptions	13,016	12,489	-	-
Membership subscriptions	159	126	150	126
Other	188	274	9	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	13,363	12,889	159	126
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

15 Creditors: amounts falling due after more than one year

	Group 2003 £'000	Group 2002 £'000	Charity 2003 £'000	Charity 2002 £'000
Deferred income	-	300	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	300	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Maturity of debt:

	Deferred Income 2003 £'000	Deferred income 2002 £'000
In one year or less, or on demand	13,363	12,889
	<hr/>	<hr/>
In more than one year but not more than two years	-	300
	<hr/>	<hr/>
Total	-	300
	<hr/> <hr/>	<hr/> <hr/>

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Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

16 Movement on reserves

	General fund £'000	Designated funds £'000	Restricted funds £'000	Investment revaluation fund £'000	Total £'000
Institute of Physics Group					
At 1 January 2003 (restated)	28,521	363	153	(2,404)	26,633
Net incoming resources	1,229	67	16	-	1,312
Gains realised on investment sales during the year	19	-	-	-	19
Market value adjustment	-	-	-	3,010	3,010
At 31 December 2003	29,769	430	169	606	30,974

	General fund £'000	Designated funds £'000	Restricted funds £'000	Investment revaluation fund £'000	Total £'000
Institute of Physics					
At 1 January 2003 (restated)	29,008	363	152	(2,404)	27,120
Net incoming resources	1,223	67	16	-	1,306
Gains realised on investment sales during the year	19	-	-	-	19
Market value adjustment	-	-	-	3,010	3,010
At 31 December 2003	30,250	430	169	606	31,455

	Balance at 1.1.03 £'000	Incoming Resources £'000	Resources Expended £'000	Balance at 31.12.03 £'000
<i>Restricted funds</i>				
Prize Funds	120	11	(3)	128
Other funds	33	52	(43)	41
	153	62	(46)	169

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Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

17 Pensions

The Institute of Physics Retirements Benefits Plan 1975 was closed to new members on 31 December 2001. The Institute continues to support the scheme for those who were members on the effective date of closure.

A group personal pension scheme was established to replace the defined benefit scheme with effect from 1 January 2002. The Institute has also designated a stakeholder pension scheme in compliance with the Pensions Act 1995.

The most recent valuation of Institute of Physics Retirement Benefits Plan 1975 dated 1 January 2002 showed that the value of the scheme's assets was £16,813k and that the actuarial value of those assets represented 83% of the benefits that had accrued to members, after allowing for expected future increases in earnings. It was assumed that the investment return would be 6.6% per annum, that salary increases would average 4.75% per annum and that present and future pensions would increase at the rate of 2.75% per annum.

The Institute's and employees' contributions with effect from 1 January 2003 are 17% and 5% respectively (previously 16% and 5%).

The next valuation is due on 1 January 2005.

Financial reporting standard 17 'Retirement benefits' (FRS17)

The group has taken advantage of the transitional arrangements allowed under FRS17, which requires the following disclosures to be made in these financial statements. A full actuarial valuation was carried out on 1 January 2002 and updated at 31 December 2002 and 2003 by a qualified actuary on an FRS17 basis.

The major assumptions used by the actuary were:

	2003	2002	2001
	%	%	%
Rate of increase in pensionable salaries	5.00	4.25	5.00
Rate of increase in pensions in payment	2.75	2.25	2.50
Rate of increase in fixed pensions in payment	5.00	5.00	5.00
Inflation assumption	3.00	2.25	2.50
Discount rate	5.70	5.50	6.00

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

	Long-term rate of return expected at 31/12/2003 %	Value at 31/12/2003 £000	Long-term rate of return expected at 31/12/2002 %	Value at 31/12/2002 £000	Long-term rate of return expected at 31/12/2001 %	Value at 31/12/2001 £000
Equities	7.40	13,774	7.00	10,599	7.00	11,957
Bonds	4.90	5,198	4.50	4,456	5.00	4,790
Other	3.75	202	4.00	984	5.00	33
		19,174		16,039		16,870
Total market value of assets						
Present value of scheme liabilities		(28,570)		(26,575)		(21,290)
(Deficit)/surplus in the scheme		(9,396)		(10,536)		(4,510)

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Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

17 Pensions (*Continued*)

Analysis of the amount chargeable to charitable expenditure

	2003	2002
	£000	£000
Current service cost	841	693
Expected return on pension scheme assets	1,002	1,127
Interest on pension scheme liabilities	(1,500)	(1,258)
Net return	(498)	(131)

Analysis of amounts recognisable within the Statement of Financial Activities gains and losses category

	2003	2002
	£000	£000
Actual return less expected return on pension scheme assets	1,486	(3,452)
Experienced gains and losses arising on the scheme liabilities	87	(767)
Changes in assumption underlying the present value of the scheme liabilities	(102)	(3,228)
Actuarial gain /(loss) on defined benefit scheme	1,471	(7,447)

Movement in deficit during the year

	2003	2002
	£000	£000
Deficit in scheme at beginning of the year	(10,536)	(4,510)
Movement in year:		
Current service cost	(841)	(693)
Contributions	1,008	2,245
Other finance income	(498)	(131)
Actuarial gain/(loss)	1,471	(7,447)
Deficit in scheme at end of the year	(9,396)	(10,536)

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Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

17 Pensions (*Continued*)

History of experienced gains and losses

	2003	2002
	£'000	£'000
Difference between the actual and expected return on scheme assets:		
Amount	1,486	(3,452)
Percentage of scheme assets	7.8%	-21.5%
Experienced gains and losses on scheme liabilities:		
Amount	87	(767)
Percentage of the present value of the scheme liabilities	0.3%	-2.9%
Total amount recognised in statement of total gains and losses:		
Amount	1,471	(7,447)
Percentage of the present value of scheme liabilities	5.1%	-28.0%

If the above pension liability was recognised in the financial statements, the group's net assets and net movements in funds would be as follows:

	2003	2002	2001
	£'000	£'000	£'000
Net assets excluding pension liability	31,059	26,719	31,559
Pension liability	(9,396)	(10,536)	(3,157)
	<hr/>	<hr/>	<hr/>
Net assets including pension liability	21,663	16,183	28,402
	<hr/>	<hr/>	<hr/>
	2003	2002	2001
	£'000	£'000	£'000
Net movement in funds excluding pension liability	4,341	(4,840)	(1,463)
Pension liability	(9,396)	(10,536)	(3,157)
	<hr/>	<hr/>	<hr/>
Net movement in funds including pension liability	(5,055)	(15,376)	(4,620)
	<hr/>	<hr/>	<hr/>

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Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

18 Reconciliation of net incoming resources before transfers to net cash inflow from operating activities

	2003	2002
	£'000	£'000
Net incoming/(outgoing) resources before transfers	1,312	(137)
Depreciation of tangible fixed assets	1,661	1,560
Depreciation of intangible fixed assets	186	322
Decrease in debtors	103	290
Increase/(decrease) in creditors and deferred income	725	(789)
(Increase) in stocks	(6)	(223)
Loss/(profit) on disposal of fixed assets	10	(3)
	<hr/>	<hr/>
Net cash inflow from operating activities	3,991	1,020
	<hr/> <hr/>	<hr/> <hr/>

19 Analysis of changes in net funds

	2002	Cash	Other	2003
	£'000	flow	changes	£'000
		£'000	£'000	
Cash in hand and at bank	10,257	1,934	-	12,191
	<hr/>	<hr/>	<hr/>	<hr/>

20 Commitments

	2003		2002	
	Land and	Other	Land and	Other
	buildings	£'000	buildings	£'000
	£'000		£'000	
Operating leases which expire:				
In over five years	445	-	445	94
	<hr/>	<hr/>	<hr/>	<hr/>