

The Institute of Physics

Report and Financial Statements

Year Ended

31 December 2004



BDO Stoy Hayward
Chartered Accountants

THE INSTITUTE OF PHYSICS

Annual report and financial statements for the year ended 31 December 2004

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THE INSTITUTE OF PHYSICS

Administrative details

Trustees

Professor Sir John Enderby CBE FRS CPhys CSci FInstP	President
Professor Sir David Wallace CBE FRS CPhys CSci FInstP	Immediate Past President
Professor J Beeby	Honorary secretary
Dr J A Scott CPhys FInstP	Honorary treasurer

Vice presidents

Professor Carole Jordan, FRS CPhys FInstP (elected 1 Oct 2004)
Professor M J Kelly FRS FREng CPhys FInstP
Dr Elizabeth Swinbank CPhys FInstP (elected 1 Oct 2004)
Dr Keith Winters CPhys FInstP (elected 1 Oct 2004)
Professor A Wallard CEng CPhys FInstP

Ordinary Members of Council

Dr S Bennett CPhys FInstP
Professor L M Brown FRS CPhys FInstP
Mrs P Endersby CEng CPhys FInstP
Dr A J Harper CEng CPhys FInstP
Dr J James CPhys FInstP
Ms H Reynolds CPhys MInstP
Mr M Thomas MInstP
Professor R H Williams CBE FRS CPhys FInstP

Branch representatives

Mr N Marks CPhys FInstP
Dr V J Smith MBE CPhys FInstP (elected 1 Oct 2004)

Group representatives

Professor A W Lees CPhys FInstP
Professor I W Marshall CEng CPhys FInstP, FRAS FIEE, FBCS

Division representative

Professor C J Latimer CPhys FInstP

Co-opted

Dr J Corbett CPhys FInstP
Professor N Mason FInstP CPhys EurPhys (appointed 1 Oct 2004)

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
Optics.Org Limited, Dirac House, Temple Back, Bristol BS1 6BE
IOP Educational 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 2004

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 2004

Financial review of the year

Total incoming resources in the year were £30,329k (£29,103 in 2003). Gift aid to the Institute from the publishing company was £8,232k (£6,181k in 2003). The market value of the general investment fund at 31 December 2004 improved to £22,710k compared with £20,518k at the previous year end. IOP Events Ltd was able to gift aid to the Institute £417k (£128k in 2003).

Total resources expended in the year were £28,149k (£27,791 in 2003), 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 2004 (*Continued*)

Activities during the year

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

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

A more detailed 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 2004 was £35m.

Council will be reviewing reserves policy and the desired level of reserves during 2005.

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Report of the trustees for the year ended 31 December 2004 (*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.

Since the decision to appoint Frank Russell average return was 1.0% above the relevant benchmark gross of fees but only 0.3% net of fees

In the year ended 31 December 2004, the fund experienced growth of 10.7%.

Funds

The balances on the individual funds of the Institute at 31 December 2004 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

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

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 2004 on pages 7 to 26.

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 2004 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 2004

	Note	2004 £'000	2003 £'000
Incoming resources			
Charitable activities			
Bequests		-	152
Membership subscriptions		1,011	1,031
Conference income		344	423
Group affiliation fees		71	68
Sundry income		271	451
Trading turnover of IOP Publishing Limited		24,456	23,758
Other activities to generate funds			
IOP Events Limited		1,029	128
Advertisement income of IOP Publishing Limited		2,765	2,966
Investment income		382	126
		<hr/>	<hr/>
Total incoming resources		30,329	29,103
		<hr/>	<hr/>
Resources expended			
Cost of generating funds			
IOP Events operating costs		(756)	-
		<hr/>	<hr/>
Charitable expenditure	2	(27,331)	(25,470)
Management and administration	3	(1,620)	(2,321)
Profit on disposal of journal		1,298	-
		<hr/>	<hr/>
		(27,653)	(27,791)
		<hr/>	<hr/>
Total resources expended	4	(28,409)	(27,791)
		<hr/>	<hr/>
Net incoming resources		1,920	1,312
Gains on investment assets:		2,192	3,029
		<hr/>	<hr/>
Net movement in funds		4,112	4,341
Fund balances brought forward		30,974	26,633
		<hr/>	<hr/>
Fund balances carried forward		35,086	30,974
		<hr/>	<hr/>

All amounts relate to continuing activities. All gains and losses recognised in the year are included above. The notes on pages 10 to 26 form part of these financial statements.

THE INSTITUTE OF PHYSICS

Balance sheets at 31 December 2004

	Note	Group 2004 £'000	Group 2003 £'000	Charity 2004 £'000	Charity 2003 £'000
Fixed assets					
Intangible assets	8	1,224	1,310	-	-
Tangible assets	9	9,450	9,826	7,701	7833
Investments in subsidiary undertakings	10	-	-	3,000	500
Investments in joint venture	10	260	-	-	-
Investments	11	22,710	20,518	22,710	20,518
		<u>33,644</u>	<u>31,654</u>	<u>33,411</u>	<u>28,851</u>
Current assets					
Stocks and work in progress	12	921	1,217	22	-
Debtors	13	4,483	2,992	973	629
Cash at bank and in hand		13,795	12,191	6,137	8,426
		<u>19,199</u>	<u>16,400</u>	<u>7,132</u>	<u>9,055</u>
Creditors: amounts falling due within one year	14	(17,757)	(17,080)	(4,604)	(6,451)
Net current assets / (liabilities)		1,442	(680)	2,528	2,604
Net assets		35,086	30,974	35,939	31,455
Income funds					
General fund	15	31,724	29,769	32,577	30,250
Designated funds	15	299	430	404	430
Restricted funds	15	265	169	160	169
Investment revaluation fund	15	2,798	606	2,798	606
		<u>35,086</u>	<u>30,974</u>	<u>35,939</u>	<u>31,455</u>

These financial statements were approved by Council onand were signed on its behalf by

Professor Sir J Enderby
President

Dr J A Scott
Honorary treasurer

The notes on pages 10 to 26 form part of these financial statements.

THE INSTITUTE OF PHYSICS

Consolidated cash flow statement for the year ended 31 December 2004

	Note	2004 £'000	2004 £'000	2003 £'000	2003 £'000
Net cash inflow from operating activities	17		3,150		3,991
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(1,379)		(2,061)	
Purchase of intangible fixed assets		(110)		-	
Sale of tangible fixed assets		203		4	
Purchase of general investments		-		(1,381)	
Sale of general investments		-		1,381	
Investments in Joint Venture		(260)		-	
			(1,546)		(2,057)
Increase/(decrease) in cash	18		1,604		(1,934)

The notes on pages 10 to 26 form part of these financial statements.

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 consolidated financial statements incorporate the results of the Institute of Physics and all its subsidiary undertakings as at 31 December 2004 using the acquisition or merger method of accounting. Under this method, the results of subsidiary undertakings acquired or disposed of are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Joint Ventures

An entity is treated as a joint venture where the group holds a long term interest and shares control under a contractual agreement.

In the group accounts, interests in joint ventures are accounted for using the gross equity method of accounting. The consolidated profit and loss account indicates the group's share of the joint venture's turnover and includes the group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings based on audited financial statements. In the consolidated balance sheet, the group's share of the identifiable gross assets (including any unamortised premium paid on acquisition) and its share of the gross liabilities attributable to its joint ventures are shown separately.

The premium on goodwill is dealt with under the goodwill policy.

Associates

An entity is treated as an associated undertaking where the group has a participating interest and exercises significant influence over its operating and financial policy decisions.

In the group accounts, interests in associated undertakings are accounted for using the equity method of accounting. The consolidated profit and loss account includes the group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings based on audited financial statements. In the consolidated balance sheet, the interests in associated undertakings are shown as the group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

The premium on acquisition is dealt with under the goodwill policy.

Fixed assets and depreciation

Assets with the value below of £1,000 are not capitalised.

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:

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Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

1 Accounting policies (*continued*)

Office machinery	-	4 - 5 years
Fixtures and fittings	-	4 - 10 years
Computers	-	3 - 4 years
Improvements (76 Portland Place)	-	10 years
Refurbishment (Dirac House)	-	8 years – remaining life of lease
Conversion/Refurbishment (80 Portland Place)	-	17 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.

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.

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Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

1 Accounting policies (*Continued*)

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.

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 2004 (*Continued*)

2 Expenditure on charitable activities

	Non Publishing activities £'000	IOP Publishing activities £'000	Total 2004 £'000	Total 2003 £'000
Support costs	1,074	-	1,074	932
European Physical Society	89	-	89	106
Council, committee & annual meeting expenses	52	-	52	52
Education & Science	1,410	-	1,410	1,051
International & Institutional Links	120	-	120	153
Strategy, Communications & Business	844	-	844	146
Membership and Electronic services	1,211	-	1,211	1,091
Direct conference expenditure	497	-	497	797
Facilities	359	-	359	511
Groups, branches and divisions	453	-	453	367
Irrecoverable VAT (note 7)	164	-	164	133
Depreciation	885	-	885	743
New Journal of Physics	36	-	36	60
Distribution and cost of sales of IOP Publishing Limited	-	7,688	7,688	8,059
Other charitable costs of IOP Publishing Limited	-	12,449	12,449	11,269
	<u>7,194</u>	<u>20,137</u>	<u>27,331</u>	<u>25,470</u>

3 Management and administration costs

	Non Publishing activities £'000	IOP Publishing activities £'000	Total 2004 £'000	Total 2003 £'000
Salaries and office costs	316	1,178	1,494	2,210
Legal and professional costs	1	67	68	68
Auditors' remuneration:				
Audit services	17	15	32	26
Non audit services	-	24	24	13
Council, committee & annual meeting expenses	2	-	2	4
	<u>336</u>	<u>1,284</u>	<u>1,620</u>	<u>2,321</u>

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Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

4 Total resources expended

	Staff costs £'000	Other costs £'000	Depreciation £'000	Total 2004 £'000	Total 2003 £'000
Expenditure on charitable activities					
Support costs	476	598	-	1,074	932
European Physical Society	-	89	-	89	106
Council, committee & annual meeting expenses	52	-	-	52	52
Education & Science	532	878	-	1,410	1,051
International & Institutional Links	91	29	-	120	153
Strategy, Communications & Business	415	429	-	844	146
Membership & Electronic services	640	571	-	1,211	1,091
Direct conference expenditure	115	382	-	497	797
Facilities	106	253	-	359	511
Groups, branches and divisions	-	453	-	453	367
Irrecoverable VAT (note 7)	-	164	-	164	133
Depreciation	-	-	885	885	743
New Journal of Physics	-	36	-	36	60
Distribution and cost of sales of IOP Publishing Limited		7,688	-	7,688	8,059
Other charitable costs of IOP Publishing Limited	7,277	4,178	994	12,449	11,269
	9,704	15,748	1,879	27,331	25,470
Other expenditure					
Management and administration:					
Institute of Physics	209	85	41	335	434
IOP Publishing Limited	607	654	24	1,285	1,887
Cost of generating funds	140	616	-	756	-
Profit on disposal of journal	-	(1,298)	-	(1,298)	-
	10,660	15,805	1,944	28,409	27,791
Staff costs comprise					
				2004 £'000	2003 £'000
Wages and salaries				8,935	8,684
Social security costs				767	674
Pension costs				958	964
				10,660	10,322

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Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

4 Total resources expended (*Continued*)

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

	2004	2003
£50,000 - £59,999	2	6
£60,000 - £69,999	9	7
£70,000 - £79,999	1	1
£80,000 - £89,999	2	4
£90,000 - £99,999	2	3
£100,000 - £109,999	2	-
£120,000 - £129,999	1	1
£140,000 - £149,999	1	-
£160,000 - £169,999	-	1
£170,000 - £179,999	-	1
£190,000 - £199,999	1	-
The average number of employees was:		
Charitable work – Institute of Physics	69	64
Publishing and distribution - IOP Publishing Limited	213	217
Management and administration:		
Institute of Physics	5	5
IOP Events Limited	5	5
IOP Publishing Limited	31	31
	<hr/>	<hr/>
	323	322
	<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 2004 total expenses reimbursed to 24 trustees (2003: 29) were £22,796 (2003: £21,135).

5 Physics World

During the year the Institute contributed £540,000 (2003: £590,000) to IOP Publishing Limited towards the cost of copies of *Physics World* supplied to members.

6 Taxation

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

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.

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Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

8 Intangible fixed assets

Total	£'000
<i>Cost or valuation</i>	
At 1 January 2004	1,951
Additions	110
Disposals	-
	<hr/>
At 31 December 2004	2,061
	<hr/>
<i>Amortisation</i>	
At 1 January 2004	641
Provided for the year	196
	<hr/>
At 31 December 2004	837
	<hr/>
<i>Net book value</i>	
At 31 December 2004	1,224
	<hr/> <hr/>
At 31 December 2003	1,310
	<hr/> <hr/>

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Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

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 2004	10,747	7,898	18,645
Additions	438	941	1,379
Disposals	-	(801)	(801)
Foreign exchange revaluation	-	(17)	(17)
	<hr/>	<hr/>	<hr/>
At 31 December 2004	11,185	8,021	19,206
<i>Depreciation</i>			
At 1 January 2004	3,430	5,389	8,819
Charge for year	631	913	1,544
Disposals	-	(598)	(598)
Foreign exchange revaluation	-	(9)	(9)
	<hr/>	<hr/>	<hr/>
At 31 December 2004	4,061	5,695	9,756
<i>Net book value</i>			
At 31 December 2004	7,124	2,326	9,450
	<hr/>	<hr/>	<hr/>
At 31 December 2003	7,317	2,509	9,826
	<hr/>	<hr/>	<hr/>
Direct charitable purposes	6,806	2,222	9,028
Management and administration	318	104	422
	<hr/>	<hr/>	<hr/>
	7,124	2,326	9,450
	<hr/>	<hr/>	<hr/>

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Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

9 Tangible fixed assets (*continued*)

Institute of Physics – Charity only	Long leasehold property £'000	Fixtures and equipment £'000	Total £'000
<i>Cost or valuation</i>			
At 1 January 2004	10,747	1,661	12,408
Additions	438	358	796
Disposals	-	(579)	(579)
	<hr/>	<hr/>	<hr/>
At 31 December 2004	11,185	1,440	12,625
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2004	3,430	1,145	4,575
Charge for year	631	297	928
Disposals	-	(579)	(579)
	<hr/>	<hr/>	<hr/>
At 31 December 2004	4,061	863	4,924
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2004	7,124	577	7,701
	<hr/>	<hr/>	<hr/>
At 31 December 2003	7,317	516	7,833
	<hr/>	<hr/>	<hr/>

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Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

10 Investments in subsidiary undertakings

	2004	2003
	£'000	£'000
Institute of Physics Group		
Joint Venture	260	-

On 23 January 2004, the Group acquired a 49% interest in IOPPW Limited, and hold 490 £1 shares in this company.

	2004	2003
	£'000	£'000
Institute of Physics – Charity only		
Investment in subsidiary undertakings – IOP Publishing Ltd	3,000	500

On 21st December 2004, the Institute subscribed for an additional 2,500,000 £1 shares in IOP Publishing Ltd, at par.

Name	Country of incorporation/ registration	Class of shares held	Percentage held	Nature of business	Year end
<i>Subsidiary undertakings</i>					
IOP Publishing Ltd	UK	Ordinary	100%	Publishing	31 December 2004
IOP Events Ltd	UK	Ordinary	100%	Hire of conference	31 December 2004
Optics.Org Ltd	UK	Ordinary	100%	Dormant	31 December 2004
IOP Educational Publishing Ltd	UK	Ordinary	100%	Publishing	31 December 2004
IOP Publishing Inc	USA	Ordinary	100%	Publishing	31 December 2004
<i>Joint ventures</i>					
Turpion Ltd	UK	Ordinary	50%	Publishing	31 December 2004
<i>Associated undertakings</i>					
IOPPW Ltd	UK	Ordinary	49%	Publishing	31 December 2004

On 8 March 2004, the company acquired a 50% interest in Turpion Limited for a cash consideration of £258,129. Audited accounts of Turpion Limited for the year ended 31 December 2004 are currently unavailable and therefore this investment has been carried at cost in the consolidated financial statements. This is on the basis that any adjustments as a result of using the gross equity method of accounting as set out in the accounting policies, would not be material.

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Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

10 Investments in subsidiary undertakings (*continued*)

The authorised, issued, and paid up share capital of IOP Publishing Limited and IOP Events Limited is £3,000,000 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	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
IOP Publishing Limited	2,935	19	403	6
IOP Events Limited	418	1	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

11 Investments

	Group and Charity	
	2004	2003
	£'000	£'000
Market value at beginning of the year	20,518	17,489
Purchases in year	-	1,381
Disposal proceeds in year	-	(1,381)
Realised /Unrealised gains	2,192	3,029
Market value at end of the year	<u>22,710</u>	<u>20,518</u>
Historical cost	<u>19,912</u>	<u>19,912</u>

12 Stock

	Group	Group	Charity	Charity
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Raw materials	106	140	-	-
Work in progress	293	320	-	-
Publications	518	752	-	-
Other	4	5	22	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	921	1,217	22	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

13 Debtors

	Group 2004 £'000	Group 2003 £'000	Charity 2004 £'000	Charity 2003 £'000
Value added tax	130	273	130	273
Trade debtors	1,841	1,397	116	40
Other debtors	2,272	1,119	519	70
Prepayments and accrued income	240	203	208	165
IOP Events Limited	-	-	-	81
	<u>4,483</u>	<u>2,992</u>	<u>973</u>	<u>629</u>

14 Creditors: amounts falling due within one year

	Group 2004 £'000	Group 2003 £'000	Charity 2004 £'000	Charity 2003 £'000
Trade creditors	1,809	1,730	689	182
IOP Publishing Limited	-	-	2,839	5,564
Other creditors	591	612	145	399
Other taxes and social security	390	350	-	-
Accruals	1,152	1,025	167	147
Deferred income	13,815	13,363	764	159
	<u>17,757</u>	<u>17,080</u>	<u>4,604</u>	<u>6,451</u>

Deferred income represents income received in advance:

Journals subscriptions	12,987	13,016	-	-
Membership subscriptions	712	159	712	150
Other	116	188	52	9
	<u>13,815</u>	<u>13,363</u>	<u>764</u>	<u>159</u>

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Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

15 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 2004	29,769	430	169	606	30,974
Net incoming/(outgoing) resources	1,955	(131)	96	-	1,920
Market value adjustment	-	-	-	2,192	2,192
At 31 December 2004	31,724	299	265	2,798	35,086
Institute of Physics					
At 1 January 2004	30,250	430	169	606	31,455
Net incoming/(outgoing) resources	2,327	(26)	(9)	-	2,292
Market value adjustment	-	-	-	2,192	2,192
At 31 December 2004	32,577	404	160	2,798	35,939

	Balance at 1/1/04 £'000	Incoming Resources £'000	Resources Expended £'000	Balance at 31/12/04 £'000
<i>Restricted funds</i>				
Prize funds	128	5	(5)	128
Other funds	41	123	(132)	32
	169	128	(137)	160

The designated funds are made up as follows:

£299,000 (2003: £328,000) held on behalf of the Institute of Physics' Groups. These groups are administered by the Education and Science Directorate and are given annual budgets based on the size of the Groups.

£105,000 is held in Lab in a Lorry fund and is being used for this project

Restricted funds are held by IOP and were given to IOP to spend towards specific projects and purposes. Prize funds are held by IOP to give out as awards to individuals for their exceptional contribution towards Physics. Other funds are to be spend on specific projects. During 2004 all incoming resources for other funds relate to grants from The Schlumberger Foundation towards the Lab in a Lorry project.

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Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

16 Pensions

The Institute of Physics Retirement 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 are 17% and 5% respectively .
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 has been updated at 31 December each year by a qualified actuary on an FRS17 basis.

The major assumptions used by the actuary were:

	2004	2003	2002
	%	%	%
Rate of increase in pensionable salaries	5.00	5.00	4.25
Rate of increase in pensions in payment	3.00	2.75	2.25
Rate of increase in fixed pensions in payment	5.00	5.00	5.00
Inflation assumption	3.00	3.00	2.25
Discount rate	5.25	5.70	5.50

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Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)

16 Pensions (continued)

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

	Long-term rate of return expected at 31/12/2004 %	Value at 31/12/2004 £000	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
Equities	7.40	15,249	7.40	13,774	7.00	10,599
Gilts	4.50	3,185	4.90	5,198	4.50	4,456
Corporate Bonds	5.25	3,168	-	-	-	-
Other	3.75	176	3.75	202	4.00	984
		<u>21,778</u>		<u>19,174</u>		<u>16,039</u>
Total market value of assets						
Present value of scheme Liabilities		<u>(34,354)</u>		<u>(28,570)</u>		<u>(26,575)</u>
Deficit in the scheme		<u>(12,576)</u>		<u>(9,396)</u>		<u>(10,536)</u>

Analysis of the amount chargeable to charitable expenditure

	2004 £000	2003 £000
Current service cost	820	841
Past service cost	144	-
	<u>964</u>	<u>841</u>
Expected return on pension scheme assets	1,302	1,002
Interest on pension scheme liabilities	<u>(1,674)</u>	<u>(1,500)</u>
Net return	<u>(372)</u>	<u>(498)</u>

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

	2004 £000	2003 £000
Actual return less expected return on pension scheme assets	656	1,486
Experienced gains and losses arising on the scheme liabilities	-	87
Changes in assumption underlying the present value of the scheme liabilities	<u>(3,602)</u>	<u>(102)</u>
Actuarial (loss)/gain on defined benefit scheme	<u>(2,946)</u>	<u>1,471</u>

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Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

16 Pensions (*Continued*)

<i>Movement in deficit during the year</i>	2004 £000	2003 £000
Deficit in scheme at beginning of the year	(9,396)	(10,536)
Movement in year:		
Current service cost	(820)	(841)
Contributions	1,102	1,008
Past Service Cost	(144)	-
Other finance income	(372)	(498)
Actuarial (loss)/gain	(2,946)	1,471
Deficit in scheme at end of the year	<u>(12,576)</u>	<u>(9,396)</u>

History of experienced gains and losses

	2004 £'000	2003 £'000
Difference between the actual and expected return on scheme assets:		
Amount	656	1,486
Percentage of scheme assets	3.0%	7.8%
Experienced gains and losses on scheme liabilities:		
Amount	-	87
Percentage of the present value of the scheme liabilities	0.0%	0.3%
Total amount recognised in statement of total gains and losses:		
Amount	(2,946)	1,471
Percentage of the present value of scheme liabilities	-8.6%	5.1%

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:

	2004 £'000	2003 £'000	2002 £'000
Net assets excluding pension liability	35,346	31,059	26,719
Net assets including pension liability	<u>22,770</u>	<u>21,663</u>	<u>16,183</u>

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Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

16 Pensions (*Continued*)

	2004 £'000	2003 £'000	2002 £'000
Net movement in funds excluding pension liability	4,373	4,341	(4,840)
Pension liability	<u>(12,576)</u>	<u>(9,396)</u>	<u>(10,536)</u>
Net movement in funds including pension liability	<u>(8,203)</u>	<u>(5,055)</u>	<u>(15,376)</u>

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

	2004 £'000	2003 £'000
Net incoming resources before transfers	1,920	1,312
FOREX Movement on fixed assets	8	-
Depreciation of tangible fixed assets	1,544	1,661
Depreciation of intangible fixed assets	196	186
Decrease in debtors	(1,491)	103
Increase in creditors and deferred income	677	725
Decrease /(increase) in stocks	296	(6)
Loss on disposal of fixed assets	-	10
	<hr/>	<hr/>
Net cash inflow from operating activities	3,150	3,991
	<hr/> <hr/>	<hr/> <hr/>

18 Analysis of changes in net funds

	2003 £'000	Cash flow £'000	Other changes £'000	2004 £'000
Cash in hand and at bank	12,191	1,604	-	13,795
	<hr/>	<hr/>	<hr/>	<hr/>

19 Commitments

	2004		2003	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
In over five years	445	-	445	-
	<hr/>	<hr/>	<hr/>	<hr/>