

The Institute of Physics

Annual Report 2014

Trustees' annual report and financial statements
for the year ended 31 December 2014

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This is the trustees' annual report and financial statements for the year ended 31 December 2014 for The Institute of Physics. The trustees have prepared this report in accordance with the Institute's Royal Charter and Bylaws, the Charities Act 2011 and the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2005 2nd edition).

REVIEW OF THE YEAR

2014 has been another successful year for the Institute.

The Institute has launched a new strategy through which we will strive to achieve our goals over the five years from 2015 to 2019, dividing our activities into five themes: Education, Economy, Society, Discovery and Community. The strategy was developed by Council throughout 2014 in consultation with a wide range of members through our Groups, Nations and Branches, as well as stakeholders in schools, universities, business, research councils and in government more widely.

To support the new strategy we have developed a robust business plan and a framework for prioritising our activities and rigorously reviewing performance and risk, which will allow us to deliver our projects and activities in a more efficient and joined-up way with a strengthened management team.

Through the new strategy we are working to ensure that our activities have the greatest impact for physics, while ensuring that physics delivers on its potential to benefit society and the economy.

Our members are at the heart of the Institute and, by the end of 2014, overall membership reached an all-time high of 54,068. We will continue to rely heavily on our committed and engaged membership community, as well as looking to significantly grow and develop our strategic partnerships in the delivery of our ambitions.

IOP Publishing Ltd remains a key part of the Institute and plays a significant role in our mission through the dissemination of leading-edge scientific research. IOP Publishing Ltd had another successful year of growth in its publishing portfolio, enhanced services to its authors, readers and other partners and development of its technical infrastructure.

Improving physics education at school level continues to be one of the Institute's key priorities. A highlight in 2014 was winning the £4.3m contract to continue running the Stimulating Physics Network for a further two years. We also secured £460k to run Capital Physics, a new project funded by the Greater London Authority to support the teaching of A-level physics in London.

In late 2013 we purchased a new building in the exciting King's Cross regeneration area and are in the process of finalising planning permission for our proposed re-development. This work will start in late 2015 with the Institute planning to move into its new home at the end of 2016.

The new building will be refurbished with members in mind, but will also be much more public-facing, with the space to showcase physics from academia, industry and our community outreach programmes with the arts and humanities. We will establish ourselves as an integral part of the local community, working closely with Islington Borough Council, local schools and community groups.

On behalf of Council I would like to thank members and staff who have all continued to provide such excellent service to the Institute as well as to physics generally.

**Professor Stuart Palmer FEng CPhys FInstP
Honorary Secretary**

Our purpose

We are a membership organisation for all of those who share our passion for physics, and a trusted and valued voice of the physics community.

We inspire people to develop their interest in physics, whether in the classroom, in colleges and universities, in businesses, or at home. We encourage and support the development of a world-class physics education that is available to all; we open up opportunities to choose a career using physics, and we enhance the level and quality of continuing professional development in the workplace, setting the standards that physics professionals should attain.

We bring together the physics community to share its knowledge and advance their thinking, and to play our part in ensuring the strength of the core discipline. We help to create a stimulating environment that encourages physicists to work across traditional boundaries and in which innovation can thrive.

We recognise and celebrate members of the physics community who have made a real difference through their work and showcase the contribution that physics makes to our economy, to our everyday lives and towards tackling some of the biggest challenges we face in society.

Our values

Our values are an expression of what we believe in and how we behave as an organisation.

- We do what we do with integrity, openness and with a respect for others.
- We are objective and informed by evidence. We strive to continually improve quality, and excellence underpins all that we do.
- We look for opportunities to exploit the talent we have within our organisation. We are supportive to each other in all that we do and we foster team-working across the organisation.
- Strategic partnerships are central to our success, and we celebrate the opportunities that come from working together with other organisations.
- We are approachable, easy and rewarding to work with, and always open to new ideas and new ways of working.
- We believe in the equality of opportunity for all and we will confront barriers to inclusiveness and participation wherever we encounter them.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Institute of Physics is a corporate body governed by a Royal Charter and Bylaws. The Institute of Physics was established in its current form by Royal Charter dated 17 September 1970.

The Institute is a charity registered in both England & Wales (no. 293851) and Scotland (no. SC040092). The members of Council are the trustees of the charity.

The Institute's registered office is 76 Portland Place London, W1B 1NT.

Bankers	HSBC Bank Plc 62 George White Street, Bristol, BS1 3BA
Legal adviser	Eversheds LLP 1 Callaghan Square, Cardiff, CF10 5BT
Auditor	BDO LLP 2 City Place, Beehive Ring Road, Gatwick, RH6 0PA
Investment advisers	Newton Investment Management Limited 160 Queen Victoria Street, London, EC4V 4CA
	Ruffer LLP 80 Victoria Street, London, SW1E 5JL

Council (board of trustees)

As set out in the Royal Charter, the Institute is governed by Council which consists of 18 trustees elected from, and by, the corporate membership; and up to 3 co-opted trustees who are appointed by Council itself. The Institute's Council is its board of trustees and Council members are the trustees of the charity.

Council has the ultimate responsibility for directing the affairs of the Institute, ensuring that it is solvent, well-run, and delivering the charitable outcomes for the benefit of the public for which it has been set up. Council sets and monitors the Institute's strategy which delivers these charitable outcomes.

Of the elected Council members, there are four Senior Officers and four Vice Presidents. The Senior Officers are the President, President-elect, Honorary Secretary and Honorary Treasurer. There are ten 'ordinary' Council members each of whom will normally serve on or chair one of the Institute's committees. The Co-opted Council members are appointed as required to cover areas of specific expertise.

Council currently meets four times a year, normally in January, April, July and November. All Council members give their time voluntarily and are not remunerated for their work on behalf of the Institute beyond the reimbursement of reasonable expenses.

Elections to Council

The rules governing the election of Council members are set out in the Bylaws. At the start of each calendar year, Council confirms the number of vacancies which will arise that year. With delegated powers from Council, the Nominations Committee then evaluates the balance of skills, knowledge, experience and diversity of Council, and, in the light of this evaluation, prepares a description of the role and capabilities required for each particular vacancy on Council. A notice of vacancies along with role descriptions is published and all corporate members are eligible to nominate themselves.

The Nominations Committee then assesses the nominations received from members and draws up a shortlist of those which meet the necessary skills and expertise for each vacancy. Where there is more than one nomination for any

vacancy then a ballot takes place. Where there is only one nomination for any vacancy then a ballot is not required and that nominee is deemed elected.

Council members serve four year terms, with the exception of co-opted members who are appointed annually for a maximum of three years. The President serves a two-year term plus two years immediately preceding that as President-elect. The Honorary Treasurer and the Honorary Secretary are eligible for election to a second four-year term.

Induction and training of Council Members

Formal induction is given to all new Council members who are invited to attend meetings with Institute staff and advisers as part of the induction process. Council members are encouraged to attend recommended external training courses for charity trustees.

Trustees have a legal duty to avoid conflicts of interest so that they can focus exclusively on the best interests of the Institute. The Institute maintains a register of interests which is updated annually by trustees and as any changes are reported. Procedures are in place for managing conflicts of interest that may arise during Council meetings.

Council Members in 2014

President	Dr Frances Saunders CB FREng CEng CPhys FInstP	
President-elect	Professor Roy Sambles FRS CPhys FInstP	
Honorary Secretary	Professor Stuart Palmer FREng CPhys FInstP	
Honorary Treasurer	Professor Julian Jones OBE FRSE CPhys FInstP	
Vice President, Science	Professor Tom McLeish FRS CPhys FInstP	
Vice President, Education	Mr Philip Britton MBE CPhys FInstP	
Vice President, Business	Professor Alison McMillan CPhys FInstP	
Vice President, Membership	Dr Mike Worboys CEng CPhys FInstP	
Ordinary Members	Mr Graham Bone MInstP	Until 30 Sep 2014
	Dr Trevor Cross FInstP	From 1 Oct 2014
	Dr Michael Duncan FInstP	
	Dr Barbara Gabrys CPhys FInstP	
	Professor James Hough OBE FRS FRSE CPhys FInstP	
	Dr Lisa Jardine-Wright CPhys MInstP	From 1 Oct 2014
	Professor Gordon Love CPhys FInstP	Until 30 Sep 2014
	Professor Kevin McGuigan FRSC FInstP	From 1 Oct 2014
	Dr David McPhail CPhys MInstP	Until 30 Sep 2014
	Professor Angela Newing FInstP	From 1 Oct 2014
	Dr Vladimir Vishnyakov MInstP	Until 30 Sep 2014
	Dr Steven Watt CEng CPhys FInstP	Until 30 Sep 2014
	Mrs Mary Whitehouse CPhys FInstP	
	Mr Mark Wrigley MInstP	From 1 Oct 2014
	Professor John Zarnacki CPhys FInstP	
Co-opted Members	Mr Kevin Gell MInstP	Until 30 Sep 2014
	Professor Geoff McFarland MInstP	
	Dr Ade Ogunsola CEng CPhys FInstP	Until 30 Sep 2014

Committees

Council has a number of standing committees with delegated powers, thus ensuring that the required time and attention is applied to overseeing specific areas of interest. The terms of reference, delegated powers and membership of these committees are set by Council. Committee membership is not limited to Council members, thus allowing for both wider representation from the membership and receipt of specialist external advice where appropriate. Standing committees are also empowered to set up sub-committees or their own mechanisms for wider consultation. The terms of reference, delegated powers and membership of sub-committees are normally set by the parent committee. The current standing committees, as of 31 December 2014, are:

- Senior Officers' Committee
- Resources Committee
- Audit & Risk Committee
- Remuneration Committee
- Nominations Committee
- Awards Committee
- Honorary Fellows Committee
- Membership Committee
- Science & Innovation Committee
- Education Committee
- Diversity & Inclusion Committee

Annual General Meeting

The Institute holds an Annual General Meeting, the rules of which are set out in the Bylaws and Regulations, which all corporate members are entitled to attend.

Corporate members are those individual members of the Institute who have voting rights at General Meetings and for the election of Council members and are composed of Honorary Fellows (Hon.FInstP), Fellows (FInstP) and Members (MInstP).

Membership fees are approved by the membership at the Annual General Meeting.

Management and staffing

The day-to-day management of the Institute and its activities is delegated to the group's Chief Executive, supported by a senior management team known as the Executive Board.

The day-to-day management of publishing activities is delegated to the Managing Director of IOP Publishing Ltd, one of the Institute's subsidiary companies. IOP Publishing Ltd has its own board of directors. The day-to-day management of IOP Enterprises Ltd is delegated to the Managing Director of IOP Enterprises. IOP Enterprises Ltd has its own board of directors.

Overall, across the group, the Chief Executive leads a staff of 534 people (461 FTE).

IOP senior management team in 2014

Group Chief Executive Officer	Professor Paul Hardaker FInstP FRMetS CMet
Group Finance Director	Michael Bray FCMA
Group HR Director	Karen O'Flaherty
Group IT Director (until January 2014)	James Walker
Managing Director, IOP Publishing Ltd	Steven Hall
Chief Operating Officer (from May 2014)	Rachel Youngman
Associate Director, Policy, Programmes & Performance	Philip Diamond CPhys MInstP

The senior management team includes a consultant.

Risk management

Council is responsible for ensuring that proper arrangements are in place for adequate risk management and control. The Audit and Risk Committee advises Council on these matters and has the following remit, to:

- Review major areas of risk for the Institute and its subsidiary companies and to ensure processes exist to manage risk in these areas;
- Ensure risk management, internal audit and external audit processes are administered effectively;
- Bring to the attention of the Council any areas of high risk and/or any anomalies brought to light through the audit process;
- Be available to 'whistle blowers' regarding risk areas or audit anomalies who are not satisfied with the outcomes of the normal management processes.

The Institute employs a Group Compliance Manager, who reports to the Group Finance Director, with operational responsibility for the management of risk, compliance with legislation, data protection, business continuity, insurance, internal controls and managing the in-house internal audit process.

The Institute maintains a register of significant risks and maintains systems to control and manage them. The Audit & Risk Committee, which meets three times each year, reviews the risk register along with the plans and processes in place to manage and mitigate major risks. Council receives a report from the Audit & Risk Committee after each of its meetings along with a risk management report prepared by the Group Compliance Manager. Council also has an annual review of risk as a standing agenda item.

Risk & potential consequence

Mitigation

An inability to meet potential increased liabilities for the Defined Benefit Pension Fund from operational budgets could result in a possible requirement to call upon the reserves.

Ongoing dialogue with the Pension Fund trustees and a regular review of pension investment strategy and self-sufficiency plan payments.

A material and prolonged decline in net profit from IOP Publishing Ltd with a knock-on reduction of gift aid to the Institute could result in reduction or cessation of some IOP activities.

Put in place a Business Development Group with delivery plan to diversify income streams.

Centralised contingency to manage impact of any IOP Publishing Ltd reductions in Gift Aid on IOP's programmes of work.

Adverse market conditions could lead to a reduction in the value of the General Fund with an impact on the Institute's ability to deliver its longer-term strategic plans.

Introduction of a new investment & reserves policy which will bring diversification of investment, driven more closely by the needs of the Strategic Plan.

Failure to secure a long term home for the IOP as a result of not maximising the value in property leases with reducing terms.

Sale of the lease at 76/80 Portland Place. Purchase of freehold property in Kings Cross area to secure asset.

A lack of strategic direction caused by a failure to introduce and implement a new strategy and business plan.

Council approved a new strategy for 2015-19 in November 2014 and a new business plan has been put in place. Both will be reviewed annually.

Reputational damage and financial penalties arising from litigation or breach of legislation.

Training for staff on topics such as health and safety, data protection and UK Bribery Act.

Review of financial policies and procedures handbook.

In-house legal and compliance teams leading processes to monitor new legislation and directives.

In-house internal audit team.

Statement of trustees' responsibilities

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

Charity law requires the Council to prepare financial statements for each financial year, 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 that disclose with reasonable accuracy at any time the financial position of the group and the Institute and that enable them to ensure that the financial statements comply with the Charities Act 2011 and accord with applicable accounting standards, including the Statement of Recommended Practice 2005 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.

OBJECTIVES AND ACTIVITIES FOR THE PUBLIC BENEFIT

The Institute of Physics is a leading scientific society. We are a charitable organisation with a worldwide membership of more than 50,000, working together to advance physics education, research and application.

We engage with policymakers and the general public to develop awareness and understanding of the value of physics and, through IOP Publishing Ltd, we are world leaders in professional scientific communications.

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, for the benefit of the public and the members of the Institute.**

As a charity the Institute must have purposes all of which are exclusively charitable (as defined by the Charities Act 2011) and are for the public benefit. The Institute meets the public benefit test in the following ways:

- Advancement of education
- Advancement of science
- Advancement of community development

The trustees confirm that they have referred to the Charity Commission's guidance on public benefit when reviewing the Institute's aims and objectives and in planning future activities. The Institute works to advance physics research, application and education, and engages with policy makers and the public to develop awareness and understanding of physics. The public benefit which our many and varied activities provide can be summarised as follows:

- Through our support for teachers and curriculum development, by improving the quality of teaching of physics in schools and the diversity of students who are able to access the many benefits of a high quality physics education.
- Through the publication of journals, eBooks, magazines and websites, and the organisation of scientific meetings and conferences, by enabling the dissemination of high quality physics research, so that researchers and research organisations are able to reach the widest possible audience and benefit from the latest developments in physics research.
- By connecting physicists across all sectors to promote the application of physics and drive innovation and development of new technologies for the benefit of the economy and wider society.
- By organising an exciting programme of activities and events to engage the public and raise awareness of physics, its impact on society and the opportunities it provides for everyone.
- By ensuring the competence and ethical commitment of those practising as physicists through the regulation of professional standards and support for continuing professional development.
- Through our diversity programme, which aims to cultivate an inclusive, sustainable, diverse and vibrant physics community; promoting best practice that breaks down barriers to inclusion regardless of gender, ethnicity, disability and socioeconomic status.

Provisions are in place for those on low incomes. Our membership fees are reduced or waived for students and for those from developing countries. As part of our commitment to supporting scientific research globally, we participate in a number of key programmes that offer several ways for researchers in developing countries to gain access to our journals for little or no cost. Private benefits, where they occur, are incidental and mainly consist of prizes for exceptional scientific or education achievements.

More details of many of the specific activities undertaken by the Institute to carry out its charitable purposes for the public benefit are set out in the following section on achievements and performance during the year.

ACHIEVEMENTS AND PERFORMANCE IN 2014

Research

Our goal: To ensure the strongest research base in physics within universities, industry and other institutions – so as to advance science and develop skilled physicists and other scientists and engineers.

Total incoming resources:	£956k	(2013: £1,215k)
Expenditure:	£1,692k	(2013: £2,407k)
Net expenditure:	£736k	(2013: £1,192k)

Performance against 2014 objectives

- **Provide bibliometric evidence to benchmark the health and vitality of domestic physics research against international norms.**

In partnership with the Engineering and Physical Sciences Research Council (EPSRC) and the Science and Technology Facilities Council (STFC), the Institute commissioned Science-Metrix to undertake a detailed analysis using bibliometric data to evaluate and internationally benchmark the performance of UK physics research. This led to the publication of the report: *The UK's performance in physics research: National and international perspectives*'.

The report showed that even though UK physics leads the world in the global impact of its scientifically published papers, in terms of the volume of papers published, it is losing its world share because of the growth seen in countries such as China and India. Additionally, the analysis showed that over the same period, some of the UK's leading and important scientific partners were India, the Republic of Korea, and especially, China.

- **Influence government funding policy through the production of reports on the economic significance of the UK science base, the finances of physics departments, and by responding to the Department for Business, Innovation and Skills (BIS) inquiry into long-term capital investment for science and research.**

Working in partnership with the Royal Society of Chemistry, the Institute commissioned a review of the finances of university physics and chemistry departments, against the current backdrop of the new funding regime for home and EU full-time and part-time undergraduates commencing their courses at English HEIs from September 2012. The final report will be published in 2015. Initial findings indicate that the overall position of the physics departments surveyed as part of the study has changed relatively little between 2007/08 and 2012/13. However, even though the financial position for chemistry departments has improved, on a full economic costing basis, deficits in chemistry departments were still substantial in 2012/13, compared with the previous study.

Following broad consultation with the physics community the Institute submitted a response to the BIS consultation on long-term capital investment. The capital framework announced at the end of 2014 indicated future investment in several of the projects highlighted by the IOP submission, including an intention to engage with the European X-Ray Free-Electron Laser (XFEL) facility in Germany.

The Institute worked with sister societies and the Campaign for Science and Engineering to commission an academic study of the value of science to the UK economy. The report *The economic significance of the UK science base* was launched at a seminar at HM Treasury and was cited in the government's autumn statement, providing an evidence base for continued investment in science and research.

- **Support the creation of opportunities and resources for physicists to interface with other disciplines by engaging with the recommendations of the Maxwell review of the importance of engineering and the physical sciences to the health and life sciences.**

We published a booklet *Biological physics: A brief guide to the science of life through the eyes of physics*, which is a collection of case studies put together with the support of members of the IOP's Biological Physics Group, to show the potential of this field and what it has to offer in terms of providing skills and a stronger knowledge-based platform on which to further biological research, and its applications in the areas of health and the environment.

Application

Our goal: To ensure the strongest application of knowledge in physics by industry, government, universities and other institutions, and the most productive links between these sectors - so as to create economic value and resolve major societal challenges.

Total incoming resources:	£190k	(2013: £274k)
Expenditure:	£581k	(2013: £828k)
Net expenditure:	£391k	(2013: £554k)

Performance against 2014 objectives

- **Improve connections between physicists in businesses and academia through an expanded IOP Business Forum, with a local, regional as well as national focus; holding meetings focusing on key enabling physics research and technology and its role in broader industrial and societal sectors.**

Our National and Regional Officers have continued to support activities across the UK and Ireland that work to connect business and academia. Closer ties and relationships have been developed with a number of industry partners across our Nations and Branches.

- **Support the personal development of physicists working in physics based industries, through working towards the introduction of PhysTech, and the organisation of relevant CPD activities and meetings for those already at CPhys level. These events will be planned and held regionally, and in liaison with other relevant institutions, to enable greater inclusion.**

In partnership with the Gatsby Foundation, a research project has been undertaken to discover the scale of the market for physics technicians and make recommendations as to how the Institute might support them. The report will be delivered early in 2015 and a new post will be created to implement the recommendations. All Chartered Physicists have been contacted with information about the nature and benefits of CPD, and the activities and meetings provided by the Institute that contribute to this. Recently elected Chartered Physicists are now required to re-validate their CPhys regularly through undertaking CPD and providing evidence to the Institute that they are doing so.

- **Develop and disseminate, through the IOP Business Briefing programme, authoritative policy recommendations on how to break down the barriers to the commercialisation of physics research.**

Following on from the Business Briefing events at the end of 2013 on the subject of graphene, we published a report on the applications and future uses of graphene. This report has been promoted further by the new IOP Publishing Ltd journal Translational Materials Research. A Business Briefing on photonics was held with the Duke of York at Buckingham Palace which highlighted the thriving state of the UK photonics industry. Following this meeting the Duke of York agreed to be the UK patron for the International Year of Light.

- **Celebrate the successful application of physics through an increased number of entries to the IOP Innovation Awards, from all parts of the UK and Ireland, and a refreshed PhysicsWorks series focusing on the economic value of physics-based technologies.**

The first refreshed Physics Works publication was published on sport just before the 2014 Commonwealth Games in Glasgow. The reports were sent to MPs, government departments and key individuals in the sporting and physics communities. The second in the series looking at physics in the visual effects industry has been completed and will be published in 2015.

The 2014 IOP Innovation Awards were won by Gas Sensing Solutions, Gooch and Housego, Magnox, and MBDA. The awards were presented to the winners at the IOP Awards Dinner as well as at a reception in Westminster attended by MPs, policy makers and industrialists.

Education

Our goal: To enable access for all to physics education of the highest quality – so as to develop skilled scientists and engineers, expand personal opportunities, and create an informed population for the benefit of the economy and society at large.

Total incoming resources:	£3,107k	(2013: £2,438k)
Expenditure:	£5,412k	(2013: £5,832k)
Net expenditure:	£2,305k	(2013: £3,394k)

Performance against 2014 objectives

- **Develop our curriculum work so that we can provide examples of best practice for teaching that contribute to creating a world class evidence-based curriculum and assessment framework.**

A Curriculum Committee has been formed which will focus on defining a cultured approach to the teaching and assessment of A-level physics. This approach is based on developing the big ideas of physics and the competencies that lead to students thinking and acting like a physicist. The Committee met four times in 2014 and there were three working groups looking at learning outcomes, assessment and practical work. The Committee will publish a draft consultation document in late 2015.

- **Improve our data on teachers, tracking their training, professional development and career trajectory, building towards an improved professional structure and accreditation.**

The requirements of the database have been defined and the project has now been subsumed into a larger, pan-Institute CRM project with the first phase roll out due at the end of April 2015.

- **Explore external funding routes, including a renewal of the Stimulating Physics Network in England and across the nations, making links with school networks and improve participation and achievement in physics qualifications.**

Following a successful tendering process, we won the £4.3m contract to continue running the Stimulating Physics Network for a further two years to March 2016. Funded by the Greater London Authority, we secured £460k to run Capital Physics, a new project to support the teaching of A-level physics in London.

- **Work with government and other professional bodies to increase numbers entering teacher training, award 150 IOP Teacher Training Scholarships, build the network of scholars to increase our influence in the classroom and to offer peer mentoring.**

It was a successful year for IOP Teacher Training Scholarships, run in partnership with the Department for Education, with 154 scholarships awarded, each worth £25k. The programme was renewed for another year and we have been allocated 150 scholarships. This is now our fourth year of managing the scheme. We are maintaining our links with the scholars and offering the mentoring for their first two years of teaching.

- **Build upon our 'girls in physics' work to initiate evidence-based pilot projects as well as extending our diversity programme to include greater focus on ethnicity, disability and socio-economic background.**

As well as continuing with our own work on supporting girls in physics, we won funding for three major gender projects. Improving Gender Balance is a major pilot, as part of Stimulating Physics Network to 2016, to investigate how various school issues affect the take-up of physics by girls. Funded by the Drayson Foundation, the Drayson Girls in Physics Pilot Project will investigate the cumulative impact of multiple interventions on the progression of girls to physics post-16. Opening Doors is a government-funded pilot project running from 2014 to 2015, focusing on developing a whole-school approach to addressing gender imbalance. The project is working with two regional networks, each made up of eight schools. Network schools offer each other mutual support as they work to improve gender balance.

Scientific communication

Our goal: To enable access for all involved in the physics community to professional scientific communications of the highest quality and provide assurance of their objectivity and rigour – so as to support the exchange of knowledge and facilitate scientific research, application and education.

Total incoming resources:	£46,888k	(2013: £47,716k)
Expenditure:	£39,223k	(2013: £37,032k)
Net income:	£7,665k	(2013: £10,684k)

Performance against 2014 objectives

- **Further improve services to authors through the completion of the new production system, providing even faster publication times, and the continuing development of our content platform for journals and books, providing even greater visibility and utility.**

During 2014 we implemented FundRef on our journals, which enables authors easily to provide information on the funding for their research at the time of submission of an article and significantly enhances the visibility of research outputs from individual funders. Good progress was made on the new production system, with one final module to be implemented in 2015.

- **Extend our initiatives in support of open access publication, with funders, researchers and their institutions.**

2014 saw the launch of the SCOAP3 project, led by CERN, which seeks to convert all publishing in high-energy physics to open access and in which three IOP-published journals are participating; and the introduction of our offsetting pilots which enables universities to offset open access publication charges against their subscription and licence fees. Both projects required a very considerable investment of time and resource in systems and support and in liaison with libraries and researchers.

- **Build on the successful launch in 2013 of our three new materials science journals – Materials Research Express (MRX), 2D Materials (2DM) and Translational Materials Research (TMR) – to make them a natural home for researchers publishing in these fields.**

MRX, 2DM and TMR published their first issues in March, June and July 2014 respectively and together published more than 500 articles in 2014, with MRX alone receiving close to 1,000 submissions. Their launch has significantly strengthened IOP's publishing in materials science.

- **Enhance our services to other physical science societies and institutes, to become the pre-eminent publishing partner in our discipline.**

We strengthened our editorial team in 2014, in the UK, Asia and North America, to provide an even better level of service to society partners. Highlights of the year included the successful launch on IOPscience of the two journals of the Japanese Society of Applied Physics and the extension of our relationship with the American Astronomical Society through an agreement on a new joint book publishing programme.

Advocacy and awareness

Our goal: To engage with all policy makers and the public developing awareness and understanding of the central importance of physics - so as to influence decision makers, respond to concerns, and shape the agenda.

Total incoming resources:	£13k	(2013: £22k)
Expenditure:	£1,841k	(2013: £2,267k)
Net expenditure:	£1,828k	(2013: £2,245k)

Performance against 2014 objectives

- **Work with organisations representing other areas of science, engineering and mathematics to provide input to party manifestos in advance of the 2015 general election.**

A consortium of learned societies and the Campaign for Science and Engineering (CaSE) commissioned and published a report on the value of public investment in research and development. The report - *The Economic Significance of the UK Science Base* - by Jonathan Haskel, Alan Hughes and Elif Bascavusoglu-Moreau, was launched at a Treasury briefing and was cited in the Chancellor's autumn 2014 statement as providing justification for continued investment in science and innovation. To support this work, the IOP worked with CaSE and sister societies to agree consistent messages from the science community on the roles and value of science research, application and education with which to engage policymakers and politicians in the lead up to the UK general election in 2015.

- **Complete reviews of IOP's digital presence and branding in the light of the new strategy being developed for 2015-19 and agree an implementation plan.**

Preparatory work on a full review of IOP's digital presence and branding started in 2014, but the timetable was adjusted to accommodate reorganisation of the staff structure, including new appointments to the Communications team, and to allow better integration with the development of the IOP's new strategy.

An initial research project to define the scope of the overall review will run throughout 2015. The review will result in strategic recommendations for the design and management of our external digital presence, as well as options for branding.

Membership

Our goal: To engage with physicists from all sectors and all those interested in physics providing relevant services and opportunities to become involved in physics, attracting a larger broader and more diverse membership, and contributing to the development of the profession.

Total incoming resources:	£1,580k	(2013: £1,510k)
Expenditure:	£2,302k	(2013: £2,685k)
Net expenditure:	£722k	(2013: £1,175k)

Performance against 2014 objectives

- **Increase membership numbers across all grades and in particular grow corporate members by 5% while maintaining retention rates.**

Overall membership numbers reached an all-time high in 2014 and, as of 31 December, stood at 54,068 (2013: 50,577), representing an annual increase of 7%. The biggest growth areas were for undergraduate (16%) and associate members (new graduates) (3%), although the number of corporate members remained static.

- **Ensure the successful renewal of our Chartered Engineer license.**

The license review meeting with the Engineering Council took place in November 2014 and the license was renewed in January 2015.

- **Step up the marketing of member services and benefits to existing members to ensure that every member understands the opportunities available to engage with the Institute and utilise those services and benefits.**

The campaign entitled 'Did you know' has been very successful with increases in use of all member benefits and services. In addition, the biennial member survey which focuses on services and benefits has recently been undertaken and will provide more information about members understanding of the benefits available and their touch points with the IOP.

- **Introduce a new membership database and fully implement an online application system for all membership grades to allow us to process applications and subscriptions more efficiently and effectively.**

The online application system was fully implemented in early 2014 and has resulted in a surge in applications for chartered status; the database is in the final testing phases and will be fully implemented in September 2015.

- **Focus IOP funded undergraduate work placement bursaries on SMEs and universities but work with other employers to promote their paid work placements to undergraduates.**

The Work Placements Bursary Scheme was highly successful, with a total of 59 bursaries awarded in 2014. There were 32 academic, 21 business, and six research institution placements. Oxford Instruments donated £20,000 to the work placements scheme. Placements were spread out across the UK and Ireland - England 47, Ireland 7, Scotland 4 and Wales 1.

- **Add a range of 'round table' careers events to the existing programme of showcase evenings.**

In 2014, the IOP hosted five 'round table' careers events for undergraduate and postgraduate members interested in learning about careers open to them upon graduation. These events were held in conjunction with Scottish University Physics Alliance (SUPA), Nations, Branches and Groups. Physicists were invited to talk about their career to date, offer advice, and hints and tips on making the transition from education to employment

Capability

Our goal: To provide the strongest capability required for the Institute to achieve its strategic goals – including secure and diverse sources of finance, a skilled and motivated workforce, effective systems, sound governance and good principles of environmental practice.

Performance against 2014 objectives

- **Complete the implementation of the Institute's new finance system.**

The Epicor software has been successfully used in the business since January 2013. Specific additional benefits in the areas of Doclink, web payments and online expenses have been successfully implemented during 2014 and the online expenses function will be more widely rolled out by the end of 2015. The Fusion project is now complete and further developments will be dealt with as part of normal business-as-usual practices.

- **Introduce a new executive structure based more directly on programme management, and implement a new appraisals process and deliver a management development programme against the new competency framework.**

The new structure was implemented in 2014. The new appraisal process and management development programme has been introduced.

- **Review and implement a refresh of our current IT infrastructure to deliver greater efficiencies and ensure that it meets the requirements of the organisation in light of the move to new premises.**

A review of our IT infrastructure was carried out in 2014 and a new IT strategy will be implemented by the end of 2015. Investment in new technology platforms will not only help the organisation to meet its strategic objectives but presents a good opportunity to be more efficient and cost effective. The vision of IT at IOP is one of managed services over managed infrastructure, utilising the cloud to deliver the technology platforms the Institute requires to drive improvements and support the overall strategy of the organisation and requirements of the new building.

- **Continue to develop the in-house fundraising capability as an important strand in providing income to allow the Institute to tackle new, emerging challenges for physics, and to scale-up existing successful prototype projects in order to achieve much greater impact.**

At the end of 2014, a Business Development Group – a multidisciplinary team comprising business development, finance, bid writing and fundraising – was formed with responsibility to develop and deliver our target-driven funding strategy. We have developed a pipeline of existing and new business opportunities that are linked to funding prospects and provide a system to measure funding probability.

In 2015 the Business Development Group will work with project teams to develop work suitable for external funding, to identify potential funders, to prepare and submit bids and to monitor progress against the pipeline and financial targets. The group's work will be supported by the organisation's new CRM system.

FUTURE OBJECTIVES

Following over a year of consultation with members, stakeholders and partner organisations, the Institute has launched a new strategy for 2015 to 2019. The new strategy will refine the work that we do at the Institute of Physics in order to have the greatest impact for physics, while ensuring that physics delivers on its potential to benefit society.

The new strategy, through which we will strive to achieve our goals over the five years, divides our activities into five themes: **Education, Economy, Society, Discovery** and **Community**. The themes we have chosen reflect our belief that we can make substantive and measurable change over that time period. Each theme has three outcomes with which we expect to deliver a step change. These themes and outcomes will drive the focus of our business plan and the framework through which we will measure our performance.

To support the strategy, the executive team has prepared a business plan to provide a road map that outlines the steps the Institute will take to achieve those strategic objectives and some of the factors that will influence and shape the way in which we do our work.

The new themes will replace the previous seven goals, which were Research, Application, Education, Advocacy & awareness, Scientific communication, Membership, and Capability.



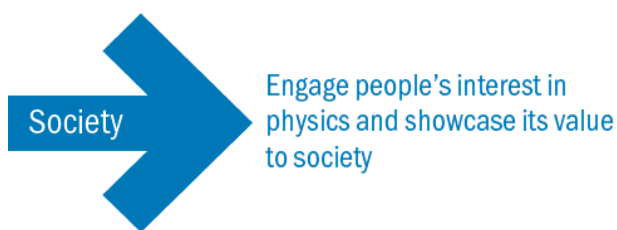
Education goal: Everyone will have the opportunity to choose to study physics and those that do will have access to high-quality education and well-informed choices about future careers.

- Increase the proportion of 16–19-year-olds studying physics, and, within that, increase the proportion of girls;
- Develop a community-led, evidence-informed curriculum and assessment framework for all age groups;
- Be recognised for having fostered an environment where research into pedagogy in further and higher education can thrive and for our leadership in sharing best practice.



Economy goal: Physics will be recognised for the contribution it makes to the economy, and businesses will have access to a highly qualified and skilled workforce and, whether large or small, have an understanding of how they can actively exploit new and emerging physics-based research.

- Enable businesses to increase their information exchange on both key foundation areas of physics and in new and emerging physics-based research and technologies by providing a recognised and valued link between businesses and the research base;
- Ensure that government has relevant and focused evidence on the value of physics, and more widely STEM, to the economy in order for them to make informed funding decisions;
- Ensure that schools and universities have resources that showcase the benefits that studying physics offers for future careers, and that focus on breaking down barriers to inclusivity and opportunity.



Society goal: We will work to widen participation and enjoyment of physics, and to raise the appreciation of the important role that physics plays in our culture and society. We will be respected as a trusted and influential voice in evidence-based policy-making on issues of importance to Society.

- Establish respected and trusted advocacy groups to deliver a more focused and rounded policy programme that is strongly connected with our target audiences;
- Increase participation in our outreach activities, with a greater focus on building science capital and in showcasing the value of physics to society;
- Establish a sustainable, externally funded international programme of capacity building in those developing countries where there are clear partnership opportunities.



Discovery goal: We will recognise excellence in research, we will support physicists, particularly those in early-career, to help them achieve their full potential, and we will have a world class reputation for our work in publishing research. We will work to strengthen our core discipline and promote the international nature of physics, and we will encourage and support those who look to collaborate with others across traditional boundaries.

- Focus more on supporting and championing careers for physicists by providing opportunities for them to broaden their professional development and maximise their potential;
- Work with IOP Groups to deliver a programme that is strongly focused on developing the core discipline, and that involves collaborations across discipline boundaries and in new emerging areas of discovery;
- Deliver a broad-ranging programme of journals, books, magazines and conference proceedings that provides outstanding service to authors and readers, and value for money to libraries and publishing partners.



Community goal: Our membership will be engaged and inspired by what we do and we will be an organisation that people want to join and to collaborate with.

- Increase the number of members, from across the demographic, who are participating in an Institute activity, strongly supported by representatives in the Nations and from our Branches and subject Groups;
- Establish a professional accreditation process for technicians with a strong basis in physics, and for those from further education who provide physics-based training and development programmes;
- Increase both early career and teacher membership, and have a Fellowship that more closely reflects the wider membership demographic.

MEMBER ACTIVITIES IN OUR GROUPS, NATIONS & BRANCHES

Our members

We continue to rely heavily on our committed and engaged membership. Our membership is diverse and members follow all kinds of different careers from academic research to systems engineering, and from finance to nuclear decommissioning. Our membership at the end of 2014 totalled 54,068.

All IOP members have the opportunity to get involved in the Institute's activities through their local Branch or through specialist subject-interest Groups.

The Institute could not achieve its charitable objectives without the commitment and hard work of our members, many of whom give freely of their time to act as committee members and volunteers to support our events and activities. The Institute wishes to thank all those who have supported it over the last year.

Groups

The Institute has 49 member-led Groups covering a wide variety of subjects and interests.

Groups organise their own individual programmes, reflecting the needs of their members. Their activities include:

- Arranging conferences, seminars and workshops for members and others;
- Promoting interaction between physicists working in industry and research, providing opportunities for networking and a forum for meeting and discussion;
- Awarding bursaries to help research students attend conferences;
- Awarding prizes.

The Groups are listed at www.iop.org/activity/groups together with information on their programmes of activity.

Nations & Branches

The Institute operates locally throughout the UK and Ireland through a very active network of member-led Nations and Branches, supported by its National and Regional Officers.

There are 11 Branches in England, some of which have local Centres, as well as our Nations: IOP in Ireland, IOP in Scotland and IOP in Wales.

Nations and Branches organise programmes of physics-related events such as lectures, meetings and conferences for members and also work locally to promote physics, physics education and public understanding of physics.

Our Nations are also involved in work with national governments and devolved administrations.

The Nations and Branches are listed at www.iop.org/activity/branches together with information on their programmes of activity.

The Institute also currently has four international Branches, known as Chapters. These are in Delhi, Mumbai, Nigeria and South Eastern USA (Virginia, Kentucky, Tennessee and Alabama).

SUBSIDIARY COMPANIES

The Institute has six subsidiary companies of which five currently carry out trading on its behalf.

To ensure clarity and appropriate governance, there are a number of agreements in place that define and describe the provision of inter-group services.

There are three main subsidiary companies:

- **IOP Publishing Ltd** (commonly known as IOPP)
IOPP is a wholly owned subsidiary of the Institute and has its registered office at Temple Circus in Bristol. The principal activity of IOP Publishing Ltd is the publication and distribution of high-quality scientific journals and magazines.
- **IOP Publishing Inc.**
IOP Publishing Inc. is a not-for-profit corporation of which the Institute is the sole corporate member. It is incorporated in the USA with its principal place of business at 150 South Independence Mall West, Suite 929, Philadelphia. The principal activity of IOP Publishing Inc. is the sale and distribution of scientific journals and magazines.
- **IOP Enterprises Ltd** (commonly known as IOPE)
IOPE is a wholly owned subsidiary of the Institute and has its registered office at the Institute's headquarters in London. Its principal activity is to promote the use of the events, catering and room hire facilities at the Institute's headquarters, and to organise exhibitions, courses and conferences.

Two of these companies have 'second-tier' subsidiary companies of their own:

- **IOP Business Publishing Inc.** (a subsidiary of IOP Publishing Inc.)
IOP Business Publishing Inc. is a wholly owned subsidiary of IOP Publishing Inc. It is incorporated in the USA with its principal place of business at 150 South Independence Mall West, Suite 929, Philadelphia. The principal activity of IOP Business Publishing Inc. is to provide advertising sales services.
- **IOP Educational Publishing Ltd** (a subsidiary of IOP Publishing Ltd)
IOP Educational Publishing Ltd is a wholly owned subsidiary of IOP Publishing Limited and has its registered office at Temple Circus in Bristol. The company is currently dormant and is not trading.
- **IOP Publishing Consultants (Beijing) Co. Ltd** (a subsidiary of IOP Publishing Ltd)
IOP Publishing Consultants (Beijing) Co. Ltd is a wholly owned subsidiary of IOP Publishing Limited with its registered office at Room 1804, The Exchange Beijing, B-118 Jianguo Road, Chaoyang District, Beijing 100022, China. The principal activity of IOP Publishing Consultants (Beijing) Co. Ltd is to provide services to IOP Publishing Ltd, including publishing consulting, electronic technology consulting, business consulting, market information consulting and corporate management consulting.

There is also a joint venture, 50% owned by IOP Publishing Ltd:

- **Tur-pion Ltd**
Tur-pion Ltd is a joint venture company (not a group company), 50% owned by IOP Publishing Ltd and 50% owned by Pion Ltd. Its registered office is at Temple Circus in Bristol. The principal activity of Tur-pion Ltd is publishing English translations of leading Russian scientific journals.

IOP Publishing Ltd - activities in 2014

IOP Publishing provides high-quality publishing services to the global scientific community, helping researchers to communicate their work effectively and other society publishers to publish more efficiently and reach a wider audience. IOPP gift-aids its distributable net profit to the Institute, enabling the latter to fulfil its wider mission.

2014 was a year not without challenges, not least in the bankruptcy in September of the second-largest subscription agent through which many libraries in Europe and North America made their payments for journal subscriptions, and which had already collected a substantial number of advance payments for 2015. IOPP worked closely with its customers to minimise the impact of the bankruptcy. These challenges notwithstanding, IOPP had another successful year of growth in its publishing portfolio, enhanced services to its authors, readers and other partners and development of its technical infrastructure.

Journals

IOPP expanded its journals portfolio in 2014 with the publication of the first issues of three new journals and the addition of two new partner journals.

The three complementary new journals, all in materials science, are 2DM, publishing fundamental research of the highest quality and impact covering all aspects of graphene and related two-dimensional materials; Materials Research Express, a broad, rapid peer-review journal publishing new experimental and theoretical research on the design, fabrication, properties and applications of all classes of materials; and Translational Materials Research, a new type of learned publication focusing on the steps needed to translate breakthroughs in advanced materials research into commercial technologies, products and applications. Materials Research Express received more than 1,000 submissions and published 460 articles in its first year of publication.

The two partners journals, published on behalf of the Japanese Society of Applied Physics, are the Japanese Journal of Applied Physics and Applied Physics Express. IOPP was delighted to welcome the Japanese Society of Applied Physics as a partner and to include two such highly regarded journals in its publishing programme.

In total IOPP published more than 31,000 articles in 2014 in 74 journals and conference series.

Books

IOPP's new book publishing programme got fully off the ground in 2014, publishing ten titles in its Expanding Physics series and 16 in its Concise Physics series.

IOPP's ebooks platform won many plaudits during the year, with the library director of one large US university commenting 'I judge IOP ebooks to represent a very superior ebooks platform' and the Association of Learned and Professional Society Publishers (ALPSP) giving it the 2014 ALPSP Silver Award for Innovation.

Physics World

New apps were launched on the iOS and Android operating systems for the digital edition of Physics World and saw substantial growth in usage over the second half of the year.

An article in Physics World - 'Hunting gravitational waves using pulsars' - by Louise Mayor, the Features Editor, won the European Astronomy Journalism Prize for 2014 and a trip to the European Southern Observatory for its author.

Investing in technology to support researchers, librarians, funders and partners

By the end of 2014 IOPP was close to the completion of a four-year investment programme in its publishing technology, during which time it has completely replaced its editorial management and finance systems and significantly enhanced its content platform, including adding sophisticated digital books to its journal content and implementing many new features in the delivery of its journals. In 2014 these included the roll-out of semantic indexing across all its journals and books and the implementation of FundRef under which it is adding consistent metadata on research funding to journal articles, enabling funders to track the outputs of the research they support far more effectively. 2014 also saw

much work on the renewal of IOPP's production system which will be completed by the end of 2015, enabling IOPP to publish articles more quickly still.

Open access

The demand from research funders for open access publication of the published outputs of the research they fund continued to grow in 2014, with mandates from many more funders around the world, though not all supported by funding for open access publication charges. IOPP has been publishing an open access journal, the New Journal of Physics, on behalf of the Institute and the German Physical Society, since 1998 and it has made use of its extensive experience in open access publishing to engage with research funders and others who wish to expand open access publication of their research.

IOPP participated in three pilot projects in 2014 which are intended to support the growth of open access. The first of these is SCOAP3, which seeks eventually to convert all research publishing in high-energy physics to open access. Three journals published by IOPP are taking part in the pilot, more than any other publisher. In 2014 IOPP published 263 articles on an open access basis within the pilot.

The second was an 'offsetting' pilot with 22 UK universities, the first of its kind in the UK, in which IOPP encourages UK universities to support open access publication by their researchers by rebating the bulk of their open access publication costs against their libraries' subscription costs for IOPP journals. The third was a similar offsetting pilot with Austrian universities and the leading Austrian research funder, the FWF.

In total in 2014 IOPP published more than 1,800 open access articles in its research journals and more than 7,000 articles in its open access conference series publications.

IOP Enterprises Ltd - activities in 2014

As a result of the Institute vacating 76 Portland Place in March 2014 ahead of a move to new premises in 2016 the trading activities of IOPE were significantly scaled back in 2014.

As the meeting rooms in 80 Portland Place are required by the Institute to conduct its own business, a venue referral service for previous clients has been put in place with neighbouring venues.

Throughout 2014, the IOPE Board has been identifying opportunities associated with the purchase and development of the Institute's new home in King's Cross, including a new venue business and ways in which IOPE can help the Institute achieve its charitable objectives through the delivery of educational, public engagement and physics-based business innovation programmes.

FINANCIAL REVIEW

Financial statements

The financial statements for the year ended 31 December 2014 are set out on pages 27-43. They were prepared applying accounting policies in accordance with UK Generally Accepted Accounting Practice (UK GAAP), and comply with the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2005 2nd edition).

Financial review

Some 88% of the group's incoming resources are generated from the activities of its trading subsidiary, IOP Publishing Limited. Other sources of income include income from members either as membership fees or for additional services, grants from government and other grant-awarding bodies, and from IOP Enterprises Ltd, another trading subsidiary.

Total incoming resources in the year for the group were £55m (2013: £63.1m), a decrease of £8.1m or 12.8% on 2013. £7.3m of this decrease was due to income arising in 2013 as a result of the sale of the leasehold interest in 76 and 80 Portland Place. Income from scientific communications was £46.9m (2013: £47.7m), a reduction of 1.6%. One off archive sales of journals of £2.7m were generated by IOP Publishing Limited in 2013 against £976k in 2014. Adjusting for the impact of these sales scientific communications revenue has grown year on year by 2% to £45.9m (2013: £45.0m). Further commentary on the activities of IOP Publishing Limited is shown below. Membership income generated by the Institute showed an increase of 4.6% to £1.6m (2013: £1.5m) due to an increase in average membership numbers from 50,200 to 55,700 across all membership categories.

Amounts to be remitted to the Institute by Gift Aid from its subsidiaries in respect of 2014 are £6.4m (2013: £12.6m).

Total resources expended in the year have remained relatively flat. Total expenditure for the group was £51.7m (2013: £52.6m), a decrease of £0.9m or 1.7%.

Further details are included in the Consolidated Statement of Financial Activities on page 27. The group and Institute balance sheet is included on page 28. The Institute considers incoming resources, Gift Aid remitted from its subsidiaries, and expenditure to be key performance indicators.

Debtors have decreased from £21.5m to £10.9m at 31 December 2014. Included in the debtors balance at 31 December 2013 was an exceptional debtor of £12.2m due in respect of the sale of the leasehold interest in 76 and 80 Portland Place. Removing this impact gives a prior year comparative of £9.3m. The relative increase is due to an increase in accrued revenue within IOP Publishing Limited as a result of an increased volume of sales to the Americas in late 2014.

Deferred revenue remains a key balance and has decreased by £1.8m to £13.3m (2013: £15.1m). This reflects a change in the cash collection profile due cash receipts from subscription agents and the introduction of new scientific communications subscription packages in 2013 within IOP Publishing Limited. 2014 is the first full year of these subscription packages.

The cash and short term investment position remains strong and has increased from £14.0m at 31 December 2013 to £23.1m at 31 December 2014. The increased balance is consistent with the receipt of payment of £12.2m for the sale of the leasehold interest in 76 and 80 Portland Place. During the year a freehold property was purchased for £2.9m. Further details are given in note 11.

The Institute's defined benefit pension deficit increased to £21.5m (2013: £8.6m). The assets in the Institute of Physics Retirement Benefit Plan (1975) grew by £5.2m but this was offset by an increase in the estimated present value of liabilities which increased by £18.0m. A fall in the discount rate (determined by reference to market yields at 31 December 2014 on high quality corporate bonds) used in the actuarial assumptions for disclosure under UK GAAP resulted in the increase of scheme liabilities.

The scheme's last triennial revaluation was at 1 January 2014 and a deficit elimination plan agreed at that time with the scheme's trustees. The next triennial revaluation will be undertaken on 1 January 2017. Further details are given in note 19 of the financial statements.

Trading subsidiaries

IOP Publishing Limited (IOPP)

The turnover for the year to 31 December 2014 was £48.2m (2013: £48.6m) a decrease of 0.8% on 2013 due to one off sales of journal archives in 2013 as described above. The current year gross profit margin remains largely consistent at 88.7% (2013: 87.7%) with an operating margin for the current year of 18.5% which has reduced slightly from the previous year (2013: 24.5%). The business continued to invest in infrastructure adding a number of new positions within the organisation, increasing global operations and developing technology. As such administrative expenses have increased by £3.1m in the year. The company will remit to the Institute of Physics, by gift aid, the sum of £6.4m in respect of 2014 (2013: £12.3m).

As the publishing arm of the Institute, IOP Publishing's role is to provide high-quality publishing services to the global scientific community, helping researchers to communicate their work effectively. IOPP also gift-aids its net distributable profit to the Institute, enabling the latter to fulfil its wider mission.

IOP Enterprises Ltd (IOPE)

The turnover for the year to 31 December 2014 was £321k (2013: £1.9m). The company will remit to the Institute of Physics, by gift aid, the sum of £11k (2013: £296k). As a result of the Institute vacating 76 Portland Place in March 2014 ahead of a move to new premises in 2016 the trading activities of IOPE have been scaled back in 2014.

Reserves and investment

The Charter and Bylaws confer power 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 consistent with guidelines on the subject issued by the Charity Commission.

The strategic reasons for the Institute to retain reserves, rather than simply spend all of its income as it arises, are, as stated in its Investment Policy:

- to be able to make short and medium-term expenditure commitments without the risk of short-term fluctuations in income forcing reduction in, or cancellation of, planned activity;
- to reduce the level of dependence on income from publishing; *and*
- in the event of a material and sustained fall in income from other sources, to provide sufficient reserves to enable the Institute to make the changes in its organisation and activities necessary to respond to this in an orderly and planned way.

The overall investment objectives of the Institute are to achieve a minimum net total return of 12 month LIBOR (London Interbank Offered Rate) +3.5%, after payment of fees over rolling three-year periods, using a diversified strategic asset allocation approach to minimise the risk for this level of return.

During the year the investments held by the Institute generated gains for the Group of £0.7m (2013: £1.6m). As a result of these gains, the total market value of investments held by the Group increased from £18.4m as at 31 December 2013 to £19.1m as at 31 December 2014.

After a review in 2014, Council has considered the level of reserves appropriate to meet the above purposes and has determined that total free reserves should ideally be of the order of two years of planned expenditure, excluding projects funded by external grants or fees (on the basis that fee-based activities such as conferences would not continue if no attendees were attracted). Free reserves are the carrying balance of the General Fund plus additional sums set aside from the operational surplus of the group each year as an investment of cash in a balanced portfolio of assets balancing risk and reward in accordance with the requirements of the Institute.

The required level of reserves on 31 December 2014 based on the current long-term plan, as modified by the 2015 budget, is approximately £26m. The current level of unrestricted reserves is £48.3m (2013: £45.6m) before taking account of the defined benefit pension deficit of £21.5m (2013: £8.7m). Due to the extremely long-term nature of the pension reserve, the unrestricted reserves excluding the pension deficit are considered a more appropriate measure. On this basis, current reserves are in excess of the required level.

Council will continue the review of its reserves policy in 2015.

Ethical investment policy

The Institute is a charity established with the objective of promoting the advancement and dissemination of a knowledge of and education in the science of physics, pure and applied.

The trustees would not want the investment decisions of the Institute to result in activities that compromise this objective. In the event that the trustees consider that any particular classes of investment choices conflict with this objective, they will provide a written list of such classes, or specific investments, to the investment managers and will require them to take such steps as are practicable and cost-effective so as not to invest in these areas.

Funds

The balances on the individual funds of the Institute at 31 December 2014 are considered adequate to meet their respective commitments.

Auditors

A resolution to reappoint BDO LLP as auditors will be proposed at the next annual general meeting.

All of the current trustees have taken all of the steps necessary to make themselves aware of any information needed by the charity's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The trustees are not aware of any relevant audit information of which the auditors are unaware.

By order of Council



**Professor Stuart Palmer FREng CPhys FInstP
Honorary Secretary**

76 Portland Place
London
W1B 1NT

25 September 2015

INDEPENDENT AUDITOR'S REPORT 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 2014 which comprise the consolidated Statement of Financial Activities, the group and parent charity Balance Sheets, the consolidated Cash Flow 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 the Charities Act 2011 and the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under section 144 of the Charities Act 2011 and report in accordance with regulations made under those Acts. 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charity's affairs as at 31 December 2014 and of the group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 and the Charities Accounts (Scotland) Regulations 2006 (as amended) 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 and sufficient accounting records have not been kept; or
- the parent charity financial statements are not in agreement with the accounting records or returns; or
- we have not received all the information and explanations we require for our audit.

BDO LLP

BDO LLP

Statutory Auditor
Gatwick
United Kingdom

Date: 25 September 2015

BDO LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006. BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 Restricted £'000	2014 Unrestricted £'000	2014 Total £'000	2013 Total £'000
Incoming resources					
Incoming resources from generated funds					
Voluntary income		101	-	101	51
Activities for generating funds		-	2,045	2,045	3,315
Investment income	3	-	1,262	1,262	437
Incoming resources from charitable activities					
Research		82	874	956	1,215
Application		-	190	190	274
Membership		-	1,580	1,580	1,510
Education		512	2,595	3,107	2,438
Advocacy and Awareness		-	13	13	22
Scientific Communications, including share of incoming resources of joint venture		-	46,888	46,888	47,716
Other incoming resources					
Profit on disposal of property	1	-	-	-	7,325
Other incoming resources		-	23	23	20
Less: share of incoming resources of joint venture		-	(1,125)	(1,125)	(1,270)
Total incoming resources	2	695	54,345	55,040	63,053
Resources expended					
Cost of generating funds					
Fundraising trading cost		-	(155)	(155)	(1,070)
Charitable activities					
Research	4	(32)	(1,660)	(1,692)	(2,407)
Application	4	-	(581)	(581)	(828)
Membership	4	-	(2,302)	(2,302)	(2,685)
Education	4	(477)	(4,935)	(5,412)	(5,832)
Advocacy and Awareness	4	-	(1,841)	(1,841)	(2,267)
Scientific Communications	4	-	(39,223)	(39,223)	(37,032)
Governance	6	-	(372)	(372)	(453)
Other resources expended		-	(92)	(92)	(7)
Total resources expended		(509)	(51,161)	(51,670)	(52,581)
Net incoming resources		186	3,184	3,370	10,472
Net interest in results for the year of joint venture		-	71	71	230
Other recognised gains/losses					
Gains on investments (realised)	13	-	-	-	149
Gains on investments (unrealised)	13	-	697	697	1,427
Actuarial (losses) /gains on defined benefit pension scheme	19	-	(14,059)	(14,059)	5,380
Exchange difference on retranslation of net assets of subsidiary undertakings		-	(74)	(74)	12
Net movement in funds		186	(10,181)	(9,995)	17,670
Fund balances brought forward		587	36,927	37,514	19,844
Fund balances carried forward	18	773	26,746	27,519	37,514

All amounts relate to continuing activities. All gains and losses recognised in the year are included above. The notes on pages 30 to 43 form part of these financial statements.

BALANCE SHEET AT 31 DECEMBER 2014

	Note	Group 2014 £'000	Group 2013 £'000	Charity 2014 £'000	Charity 2013 £'000
Fixed assets					
Tangible assets	11	19,254	16,424	14,679	11,574
Investments in subsidiary undertakings	12	-	-	3,001	3,001
Investments in joint ventures					
Share of gross assets of joint venture		1,701	1,727	-	-
Share of gross liabilities of joint venture		(1,527)	(1,467)	-	-
Net investment in joint venture	12	174	260	-	-
Investments	13	19,077	18,380	19,077	18,380
		<u>38,505</u>	<u>35,064</u>	<u>36,757</u>	<u>32,955</u>
Current assets					
Stocks and work in progress	14	3	5	-	-
Debtors	15	10,898	21,451	4,903	13,643
Current asset investments	22	11,760	-	5,800	-
Cash at bank and in hand		11,304	14,015	2,179	4,232
		<u>33,965</u>	<u>35,471</u>	<u>12,882</u>	<u>17,875</u>
Creditors: amounts falling due within one year	16	(22,534)	(23,316)	(2,210)	(2,996)
Net current assets		<u>11,431</u>	<u>12,155</u>	<u>10,672</u>	<u>14,879</u>
Provisions	17	(880)	(1,042)	(880)	(1,042)
Pension scheme funding deficit	19	(21,537)	(8,663)	(21,537)	(8,663)
Net Assets		<u>27,519</u>	<u>37,514</u>	<u>25,012</u>	<u>38,129</u>
Restricted funds					
Restricted funds	18	773	587	773	587
Unrestricted funds					
General fund	18	48,283	45,590	45,776	46,205
Pension reserve	19	(21,537)	(8,663)	(21,537)	(8,663)
Total unrestricted funds		<u>26,746</u>	<u>36,927</u>	<u>24,239</u>	<u>37,542</u>
Total charity funds		<u>27,519</u>	<u>37,514</u>	<u>25,012</u>	<u>38,129</u>

These financial statements were approved by Council and authorised for issue on 25 September 2015 and were signed on its behalf by



Dr Frances Saunders CB FREng CEng CPhys FInstP
President



Professor Julian Jones OBE FRSE CPhys FInstP
Honorary Treasurer

The notes on pages 30 to 43 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Net cash inflow from operating activities	20		1,623		6,646
Dividends from joint ventures	24		157		214
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(4,859)		(11,346)	
Disposals of tangible fixed assets		12,202		1,350	
Purchase of investments		(2)		(8)	
Sale of investments		2		3,004	
			7,343		(7,000)
Management of liquid resources					
(Increase) / decrease in cash on term deposit			(11,760)		1,500
(Decrease) / increase in cash	21,22		(2,637)		1,360

The notes on pages 30 to 43 form part of these financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments and investment properties, and are in accordance with applicable accounting standards and the Statement of Recommended Practice, Accounting and Reporting by Charities (the SORP 2nd edition) published in March 2005.

Basis of consolidation

The consolidated financial statements incorporate the results of the Institute of Physics and all its subsidiary undertakings as at 31 December 2014 using the acquisition method of accounting. Under this method, the results of subsidiary undertakings acquired or disposed of are included in the consolidated Statement of Financial Activities from the date of acquisition or up to the date of disposal.

The Institute of Physics has a network of member-led Branches. The income and expenditure of these Branches is accounted for as part of the charity's own accounts.

A separate Statement of Financial Activities for the charity itself is not presented as allowed by paragraph 397 of SORP 2005. The income of the parent charity was £7,397k (2013: £14,464k) and the expenditure was £13,548k (2013: £17,261k). During the prior year the Institute sold its leasehold interest in 76 Portland Place and 80 Portland Place generating a profit on disposal of £7.3m which was recognised as other income in the year ended 31 December 2013.

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 Statement of Financial Activities includes 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 unaudited 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.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Assets with a value of less than £500 are not capitalised.

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

- Temple Circus, Bristol (expires 2021)

The freehold property which was purchased during the prior year has not yet been brought into use and is therefore not currently being depreciated.

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 - 5 years
- Fixtures and fittings 4 - 10 years
- Computers 3 - 4 years

Investment properties

In accordance with the SORP 2nd edition, investment properties owned by the group are held at market value. All changes in value of investment properties are reported as gains or losses on investment assets within 'other recognised gains and losses' in the Statement of Financial Activities. No depreciation is provided in respect of freehold investment properties or on leasehold investment properties where the unexpired lease term exceeds 20 years.

Investments

Investments are included in the balance sheet at the market value of the individual unitised holdings. Gains and losses are included in general reserves.

Income

Membership income is recognised when received and attributed to the financial years to which it relates. Sundry income is recognised when received. Income from production of in-house and external partner journals with a majority of the income received in advance is recognised in line with the fair value of content delivered. Other income streams include fees received for publishing articles recognised upon publication, and sales of access to historic archives recognised upon invoice, when permanent access is granted.

1 Accounting policies (cont.)

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. This defined benefit scheme is accounted for in accordance with FRS 17 'Retirement Benefits'. The service cost of pension provision relating to the year, together with the cost of any benefits relating to past service if the benefits have vested, is charged to the Statement of Financial Activities. A charge equal to the increase in the present value of the scheme liabilities (because the benefits are closer to settlement) and a credit equivalent to the group's long term expected return on assets (based on the market value of the scheme assets at the start of the year), are also included in the Statement of Financial Activities. The difference between the market value of the assets of the scheme and the present value of the accrued pension liabilities is shown as an asset or liability on the balance sheet. Any differences between the actual and expected return on assets during the year are recognised in the Statement of Financial Activities along with differences arising from experience or assumption changes.

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 10-18% of basic salary. Contributions to the group's defined contribution pension scheme are charged to the Statement of Financial Activities in the year in which they become payable.

Foreign currencies

Foreign currency transactions of individual entities are translated at the average rates of exchange during the period, or the contracted rate if the transaction is covered by a foreign exchange contract. Foreign currency monetary assets and liabilities are translated at the year end spot rate unless subject to a foreign exchange contract, in which case they are translated at the appropriate contracted rate. Any differences are taken to general reserves. 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.

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. Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donors. The aim and use of each restricted fund is set out in the notes to the financial statements.

Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the relevant 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. Support costs, such as general management, payroll administration, information technology, human resources and financing, are allocated across the categories of charitable expenditure, governance costs and the costs of generating funds. The basis of the cost allocation has been explained in note 5 to the accounts.

Governance costs

Governance costs are the costs associated with the governance arrangements of the group which relate to the general running of the group as opposed to those costs associated with fundraising or charitable activity. Included within this category are costs associated with the strategic as opposed to day-to-day management of the group's activities.

Stock

Consumable stock is valued at cost. Specific provision has been made, where necessary, to reduce the value to net realisable value.

Liquid resources

For the purposes of the cash flow statement, liquid resources are defined as current asset investments, which is cash held in short term deposit accounts for investment purposes and not considered to be cash as they are not accessible penalty-free within one working day.

Cash

Cash includes cash in hand and deposits repayable on demand with any qualifying institution less overdrafts from any qualifying financial institution repayable on demand. Deposits are repayable on demand if they can be withdrawn at any time without notice and without penalty, or if a maturity or period of notice of not more than 24 hours or one working day has been agreed. Cash includes deposits denominated in foreign currencies.

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.

2 Geographical analysis of incoming resources

	2014	2013
	£'000	£'000
Europe, Middle East and Africa	28,059	35,405
The Americas	9,140	8,951
Asia Pacific	17,841	18,697
Total	55,040	63,053

3 Investment income

	2014	2013
	£'000	£'000
Interest from listed investments	309	411
Other finance income	788	13
Property rental income	29	-
Interest from cash and short term investments	136	13
Total	1,262	437

Other finance income consists of expected return on pension scheme assets of £3,684k (2013: £2,904k) and interest on pension scheme liabilities of £2,896k (2013: £2,891k).

4 Expenditure on charitable activities

	Activities undertaken directly	Grant funding activities	Support costs	2014	2013
	£'000	£'000	£'000	£'000	£'000
Research	1,080	-	612	1,692	2,407
Application	220	-	361	581	828
Membership	891	-	1,411	2,302	2,685
Education	3,425	57	1,930	5,412	5,832
Advocacy & Awareness	461	-	1,380	1,841	2,267
Scientific Communications	38,895	-	328	39,223	37,032
Total	44,972	57	6,022	51,051	51,051

Grant funding represents 107 (2013: 86) STFC grants made to schools to help them run physics and astronomy related activities.

5 Support costs

	Management costs (Directorate + Staff)	Central costs (IT, HR, Facilities)	Finance costs	Total
	£'000	£'000	£'000	£'000
Research	253	291	68	612
Application	233	104	24	361
Membership	739	578	94	1,411
Education	992	737	201	1,930
Advocacy & Awareness	740	569	71	1,380
Scientific Communication	56	251	21	328
Total	3,013	2,530	479	6,022

Basis of allocation

Management costs (directorate + staff)
Central costs (IT, HR, Facilities)
Finance costs

IOP charity staff time spent on activity
IOP charity staff time spent on activity
IOP charity total costs in the activity

6 Governance costs

	2014	2013
	£'000	£'000
Direct expenditure	16	106
Fees payable to the charity's auditor for the audit of the charity's annual accounts	31	33
Fees payable to the charity's auditor for other services:		
The audit of the charity's subsidiaries pursuant to legislation	34	32
Other services	16	37
Other taxation services	29	7
Support Costs	246	238
Total	372	453

7 Staff

	2014	2013
	£'000	£'000
Wages and salaries	18,452	17,818
Social security costs	1,669	1,651
Pension costs	2,394	2,316
	22,515	21,785

The number of employees earning more than £60,000 per year can be analysed in the following bands:

	2014	2013
£60,000 - £69,999	10	8
£70,000 - £79,999	9	15
£80,000 - £89,999	6	5
£90,000 - £99,999	2	1
£100,000 - £109,999	2	4
£110,000 - £119,999	1	-
£120,000 - £129,999 *	1	2
£130,000 - £139,999	1	1
£140,000 - £149,999	-	2
£150,000 - £159,999	2	1
£160,000 - £169,999	-	1
£170,000 - £179,999	3	-
£180,000 - £189,999	1	1
£190,000 - £199,999	-	1
£200,000 - £209,999	1	-
£290,000 - £299,999	-	1
£300,000 - £309,999	1	-

* This banding includes the remuneration of the chief executive (2014 and 2013).

The above banding includes 21 (2013: 22) staff for whom retirement benefits are accruing under defined contribution schemes and 9 (2013: 9) staff for whom retirement benefits are accruing under defined benefit schemes. Contributions by the group for the year for the above employees to defined contribution schemes amounted to £314k (2013: £328k).

The financial statements for the year ended 31 December 2013 included a redundancy provision in respect of the estimated costs of the restructuring programme which was formally announced to those affected on 28 November 2013. The 2013 salary bandings above did not include the expected redundancy payments that were included in the redundancy provision as at 31 December 2013. These payments are included in the 2014 salary bandings.

7 Staff (cont.)

The average number of full time equivalent employees was:

		2014	2013
Charitable work:	- Institute of Physics	73	71
Business operations:	- IOP Publishing Limited	223	222
	- IOP Publishing Inc.	36	32
	- IOP Enterprises Limited	1	5
Management and administration:	- Institute of Physics	32	36
	- IOP Publishing Limited	96	90
		461	456

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 2014 total expenses incurred and reimbursed to 24 trustees (2013: 24) were £55k (2013: £42k).

8 Physics World

During the year the Institute contributed £366k (2013: £466k) to IOP Publishing Limited towards the cost of copies of Physics World supplied to members, and £66k (2013: £65k) towards the cost of copies of Physics Education supplied to the Institute's affiliated schools programme.

9 Taxation

As a registered charity, the Institute is not liable to taxation on the net revenue from its charitable activities. The subsidiary companies make qualifying donations of taxable profit to The Institute of Physics.

10 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.

11 Tangible fixed assets

	Investment property £'000	Freehold property £'000	Short leasehold property £'000	Fixtures and equipment £'000	Total £'000
Institute of Physics - group					
<i>Cost or valuation</i>					
At 1 January 2014	-	9,185	2,387	11,783	23,355
Additions	2,385	1,126	12	1,336	4,859
Disposals	-	-	-	(1,121)	(1,121)
At 31 December 2014	2,385	10,311	2,399	11,998	27,093
<i>Depreciation</i>					
At 1 January 2014	-	-	(678)	(6,253)	(6,931)
Charge for the year	-	-	(238)	(1,739)	(1,977)
Disposals	-	-	-	1,069	1,069
At 31 December 2014	-	-	(916)	(6,923)	(7,839)
Net book value at 31 December 2014	2,385	10,311	1,483	5,075	19,254
Net book value at 31 December 2013	-	9,185	1,709	5,530	16,424
Institute of Physics - charity					
<i>Cost or valuation</i>					
At 1 January 2014	-	9,185	2,362	1,669	13,216
Additions	2,385	1,126	-	125	3,636
Disposals	-	-	-	(132)	(132)
At 31 December 2014	2,385	10,311	2,362	1,662	16,720
<i>Depreciation</i>					
At 1 January 2014	-	-	(657)	(985)	(1,642)
Charge for the year	-	-	(236)	(259)	(495)
Disposals	-	-	-	96	96
At 31 December 2014	-	-	(893)	(1,148)	(2,041)
Net book value at 31 December 2014	2,385	10,311	1,469	514	14,679
Net book value at 31 December 2013	-	9,185	1,705	684	11,574

During the year the Institute purchased a new freehold property. This property is currently being held for its investment potential and it has therefore been classified as an investment property. The investment property forms part of an integrated plan for the use of the new site in London, therefore it has been classified within tangible fixed assets in the year ended 31 December 2014.

The investment property was purchased at open market value in November 2014. The trustees are not aware of any material change in value of the property since this date and therefore consider that the valuation at the acquisition date is a reasonable representation of open market value as at the balance sheet date. As such, no further valuation has been performed and no gain or loss on revaluation has been recognised in the financial statements for the year ended 31 December 2014. No depreciation is provided in respect of investment properties.

The policy of revaluing investment properties to open market value represents a departure from the requirement of the Charities Act 2011, on the basis that the Act requires properties to be depreciated. It has been deemed, however, that the approach set out in SSAP19 'Investment Properties' presents a true and fair view, in light of the fact that investment properties are not held for consumption within the operating activities of the business and are instead held for capital growth and rental income potential. The effect of this departure has not been quantified because it is impracticable and, in the opinion of the trustees, would be misleading.

11 Tangible fixed assets (cont.)

During the prior year the Institute purchased a new freehold property. The property has not yet been brought into use; therefore freehold property assets of £10.311m (2013: £9.185m) are in the course of construction and are not being depreciated.

Included in fixtures and equipment of the group are £1.425m (2013: £867k) and of the charity are £65k (2013: £39k) of assets in the course of construction which relate to the elements of the implementation of new IT systems which are ongoing. These assets are not being depreciated. These assets will begin to be depreciated upon being brought into use.

12 Fixed asset investments

Institute of Physics - group	2014 £'000	2013 £'000
<i>Joint venture</i>		
Share of gross assets	1,701	1,727
Share of gross liabilities	(1,527)	(1,467)
Net investment in joint venture	174	260
<i>Joint venture valuations</i>		
	£'000	
<i>Cost</i>		
At 1 January 2014 and 31 December 2014	244	
<i>Share of retained profits</i>		
At 1 January 2014	16	
Result for the year	71	
Dividends paid	(157)	
At 31 December 2014	174	
Institute of Physics - charity	2014 £'000	2013 £'000
Investment in subsidiary undertakings – IOP Publishing Ltd	3,000	3,000
Investment in subsidiary undertakings – IOP Publishing Inc.	1	1
	3,001	3,001

The Institute's subsidiary undertakings and joint ventures at 31 December 2014 were as follows:

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 Dec 2014
IOP Enterprises Ltd	UK	Ordinary	100%	Conference venue	31 Dec 2014
IOP Educational Publishing Ltd	UK	Ordinary	100% *	Dormant	31 Dec 2014
IOP Publishing Inc.	USA	Ordinary	100%	Publishing	31 Dec 2014
IOP Business Publishing Inc.	USA	Ordinary	100% ^	Publishing	31 Dec 2014
IOP Publishing Consultants (Beijing) Co Ltd	China	Ordinary	100% *	Publishing consulting	31 Dec 2014
<i>Joint ventures</i>					
Turpion Ltd	UK	Ordinary	50% +	Publishing	31 Dec 2014

* The investment in IOP Educational Publishing Ltd and IOP Publishing Consultants (Beijing) Co Ltd is held directly by IOP Publishing Ltd.

^ The investment in IOP Business Publishing Inc. is held directly by IOP Publishing Inc.

+ The investment in Turpion Ltd is held directly by IOP Publishing Ltd.

The authorised, issued, and paid up share capital of IOP Publishing Limited, IOP Enterprises Limited, IOP Publishing Inc. and IOP Publishing Consultants (Beijing) Co Ltd is £3,000,000; £2; £645 and £62,625 respectively.

12 Fixed asset investments (cont.)

Details of the net assets and profit for the year of IOP Publishing Limited, IOP Enterprises Limited, IOP Publishing Inc., IOP Business Publishing Inc. and IOP Publishing Consultants (Beijing) Co Ltd are as follows:

	Net assets / (liabilities)		Result for the year	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
IOP Publishing Limited	3,597	819	2,779	(164)
IOP Enterprises Limited	1	1	-	-
IOP Publishing Inc.	2,791	2,424	482	430
IOP Business Publishing Inc.	(827)	(874)	10	9
IOP Publishing Consultants (Beijing) Co Ltd	80	-	37	-

IOP Publishing Consultants (Beijing) Co Ltd was incorporated in the People's Republic of China on 13 August 2013. There was minimal activity within the entity in the period ended 31 December 2013 and therefore the entity was not included in the consolidated financial statements for the year ending 31 December 2013 on the grounds that its inclusion was not material for the purpose of giving a true and fair view.

13 Investments

	Group and charity	
	2014	2013
	£'000	£'000
Market value at beginning of the year	18,380	19,800
Purchases in year	2	8
Disposal proceeds in year	(2)	(3,004)
Realised / unrealised gains	697	1,576
Market value at end of the year	19,077	18,380
Historical cost	17,301	17,301

No investment management cost was incurred in 2014 or 2013.

	Group and charity	
	2014	2013
	£'000	£'000
The analysis of investments by class is as follows:		
Hedge funds	-	3
CR Ruffer Absolute Return Fund	19,076	18,377
Market value of investments	19,076	18,380
Ruffer cash	1	-
Total value of investments and cash	19,077	18,380

14 Stock

	Group		Charity	
	2014	Group 2013	2014	Charity 2013
	£'000	£'000	£'000	£'000
Raw materials	2	3	-	-
Publications	1	2	-	-
	3	5	-	-

15 Debtors

	Group	Group	Charity	Charity
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Trade debtors	4,507	5,594	204	414
Amounts owed by group undertakings	-	-	3,589	-
Other debtors	2,652	13,204	703	12,708
Amounts owed by joint ventures	214	188	-	-
Prepayments and accrued income	3,525	2,465	407	521
	10,898	21,451	4,903	13,643

Included within other debtors of the group and charity as at 31 December 2013 was an amount of £12.15m due in respect of the sale of the leasehold interest in 76 Portland Place and 80 Portland Place.

16 Creditors: amounts falling due within one year

	Group	Group	Charity	Charity
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Trade creditors	1,095	1,476	247	413
Amounts owed to group undertakings	-	-	-	357
Amounts owed to joint ventures	1,089	919	-	-
Other creditors	2,437	1,373	174	61
Other taxes and social security	396	573	-	-
Accruals	4,190	3,832	1,331	1,740
Deferred income	13,327	15,143	458	425
	22,534	23,316	2,210	2,996

Deferred income represents income received in advance:

	Group	Group	Charity	Charity
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Journals subscriptions	12,627	14,596	-	-
Membership subscriptions	418	352	418	352
Other	282	195	40	73
	13,327	15,143	458	425

17 Provisions

	Group	Group	Charity	Charity
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Provisions	880	1,042	880	1,042

Included within provisions is a provision of £695k (2013: £675k) for costs relating to the exit of leasehold premises which are not expected to crystallise before 2021. The amount payable will be agreed through future negotiation at such point that an exit occurs.

18 Movement on reserves

Group and charity	Balance at 1 Jan 2014 £'000	Incoming resources £'000	Resources expended £'000	Balance at 31 Dec 2014 £'000
<i>Restricted funds</i>				
Prize funds	58	-	-	58
Other funds	529	695	(509)	715
	<u>587</u>	<u>695</u>	<u>(509)</u>	<u>773</u>

Restricted funds are held by the Institute and were given to the Institute to spend towards specific projects and purposes. Prize funds are held by the Institute to give out as awards to individuals for their exceptional contribution towards Physics. Other funds are to be spent on specific projects.

Analysis of Net Assets by Fund

Institute of Physics group	General fund £'000	Restricted funds £'000	Pension reserve (Deficit) £'000	Total £'000
Tangible fixed assets	19,254	-	-	19,254
Investments	19,251	-	-	19,251
Current assets	33,192	773	-	33,965
Current liabilities	(22,534)	-	-	(22,534)
Non-current liabilities	(880)	-	(21,537)	(22,417)
Balances carried forward	<u>48,283</u>	<u>773</u>	<u>(21,537)</u>	<u>27,519</u>

19 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 FRS 17 valuation of the Institute of Physics Retirement Benefits Plan 1975 dated 31 December 2014 showed that the value of the scheme's assets at that date was £60,190k (2013: £55,018k) and that the actuarial value of those assets represented 74% (2013: 86%) 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 5.4% (2013: 6.69%) per annum, that salary increases would average 3.20% (2013: 3.50%) per annum and that present and future pensions would increase at the rate of 2.10% (2013: 2.20%) per annum.

The Institute's and employees' contributions are 18% and 7% respectively.

The next triennial valuation is due on 1 January 2017.

19 Pensions (cont.)

The principal actuarial assumptions used by the actuary at the balance sheet date were:

	2014	2013
	%	%
Discount rate	3.60	4.60
Expected return on scheme assets	5.40	6.69
Inflation (RPI)	3.20	3.50
Inflation (CPI)	2.20	2.50
Future salary increases	3.20	3.50
Rate of increase on pensions in payment		
Linked to inflation (PRI), subject to a cap of 5% per annum	3.20	3.40
Linked to inflation (PRS), subject to a cap of 2.5% per annum	2.10	2.20
Cash Commutation	75% of members assumed to take maximum tax free cash	75% of members assumed to take maximum tax free cash
Mortality assumptions	AXC00	AXC00
Life expectancy of male aged 65 now	22.2 ('light' 23.8)	21.6 ('light' 23.2)
Life expectancy of male aged 65 in 20 years	23.9 ('light' 25.4)	23.5 ('light' 25.0)
Life expectancy of female aged 65 now	24.6 ('light' 25.0)	24.4 ('light' 24.7)
Life expectancy of female aged 65 in 20 years	26.6 ('light' 26.9)	26.2 ('light' 26.6)

The major categories of scheme assets as a percentage of total scheme assets were:

	2014	2013
	%	%
Equities	60.2	63.7
Annuities	20.8	20.3
Property	8.4	7.9
Corporate bonds	10.0	7.5
Cash	0.6	0.6
Total	100	100

Employee benefit obligations

Amounts recognised in the balance sheet:

	Group and charity	Group and charity
	2014	2013
	£'000	£'000
Fair value of scheme assets	60,190	55,018
Actuarial value of scheme liabilities	(81,727)	(63,681)
Deficit in the scheme	(21,537)	(8,663)
Pension liability recognised on the balance sheet	(21,537)	(8,663)

Total expense recognised in profit or loss:

	Group and charity	Group and charity
	2014	2013
	£'000	£'000
Current service cost	1,142	1,239
Interest on obligations	2,896	2,891
Expected return on scheme assets	(3,684)	(2,904)
Total	354	1,226

19 Pensions (cont.)

<i>Changes in the present value of the defined benefit obligation:</i>	2014	2013
	£'000	£'000
Opening value of scheme liabilities	63,681	62,598
Service cost	1,142	1,239
Contribution by scheme members	-	-
Interest cost	2,896	2,891
Actuarial losses and (gains)	15,443	(1,625)
Benefits paid	(1,435)	(1,422)
Closing value of scheme liabilities	81,727	63,681

<i>Changes in the fair value of scheme assets:</i>	2014	2013
	£'000	£'000
Opening fair value of scheme assets	55,018	48,134
Expected return	3,684	2,904
Actuarial gains	1,384	3,755
Contribution by employer	1,539	1,647
Contribution by scheme members	-	-
Benefits paid	(1,435)	(1,422)
Closing fair value of scheme assets	60,190	55,018

Actual return on scheme assets	5,068	6,659
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<i>Analysis of amounts recognisable within the Statement of Financial Activities gains and losses category</i>	Group and charity	Group and charity
	2014	2013
	£'000	£'000
Actual return less expected return on pension scheme assets	1,384	3,755
Changes in assumptions underlying the present value of the scheme liabilities	(15,443)	1,625
Actuarial (loss)/gain on defined benefit pension scheme	(14,059)	5,380

<i>Movement in deficit during the year</i>	2014	2013
	£'000	£'000
Deficit in scheme at beginning of the year	(8,663)	(14,464)
Movement in year:		
Current service cost	(1,142)	(1,239)
Contributions	1,539	1,647
Other finance income	788	13
Actuarial (loss)/gain	(14,059)	5,380
Deficit in scheme at end of the year	(21,537)	(8,663)

<i>Movements over previous five year period</i>	2014	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000
Scheme liabilities	(81,727)	(63,681)	(62,598)	(57,299)	(58,489)
Value of scheme assets	60,190	55,018	48,134	43,838	42,758
(Deficit)/surplus in the scheme	(21,537)	(8,663)	(14,464)	(13,461)	(15,731)
Experience adjustments on scheme liabilities	(1,686)	(678)	-	5,643	-
Changes in the assumptions for value of scheme liabilities	(13,757)	2,303	(2,803)	(1,319)	(953)
Experience adjustments on scheme assets	1,384	3,755	1,684	(2,198)	470

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

	2014	2013
	£'000	£'000
Net incoming resources before transfers	3,370	10,472
Profit on disposal of property	-	(7,325)
Depreciation of tangible fixed assets	1,977	2,365
Movement in stocks	2	17
Movement in debtors	(1,597)	(350)
Movement in creditors	(782)	1,490
Movement in provisions	(162)	386
Difference between pension charge and cash contribution	(1,185)	(409)
Net cash inflow from operating activities	1,623	6,646

21 Analysis of changes in net funds

	2014	2013
	£'000	£'000
(Decrease) / increase in cash	(2,637)	1,360
Net cash inflow / (outflow) from changes in liquid resources	11,760	(1,500)
Change in net funds resulting from cash flows	9,123	(140)
Exchange translation	(74)	-
Movement in net funds in the year	9,049	(140)
Net funds brought forward	14,015	14,155
Net funds carried forward	23,064	14,015

22 Analysis of net funds

	1 January		Exchange	31 December
	2014	Cashflow	adjustment	2014
	£'000	£'000	£'000	£'000
Cash - Cash at bank	14,015	(2,637)	(74)	11,304
Liquid resources - Current asset investments	-	11,760	-	11,760
Net funds	14,015	9,123	(74)	23,064

23 Commitments

At 31 December the group was committed to making the following payments during the next year under non-cancellable operating leases as follows:

	Land and	Other	Land and	Other
	buildings	2014	buildings	2013
	2014	2014	2013	2013
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	56	1	19	-
Between 2 and 5 years	31	-	38	1
In more than five years	916	-	507	-
	1,003	1	564	1

The group has also planned to undertake capital development work over the next two years on the freehold property that was purchased in 2013.

24 Related parties

During the year IOP Publishing Limited collected subscriptions of £2,319k (2013: £2,359k) on behalf of Tur-pion Limited and received income from Tur-pion Limited for management services rendered of £374k (2013: £452k). Tur-pion Limited is a joint venture company which is 50% owned by IOP Publishing Limited. A balance of £1,089k (2013: £919k) was due to Tur-pion Limited at year end and £214k (2013: £188k) was owed by Tur-pion Limited at year end. During the year IOP Publishing Limited received a dividend of £157k (2013: £214k) from Tur-pion Limited.

The charity has taken advantage of the exemption conferred by FRS 8 'Related Party Disclosures' not to disclose transactions with its wholly owned subsidiaries.