

THE ROYAL ECONOMIC SOCIETY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
REGISTERED CHARITY NUMBER 231508

INDEX

	<u>Page</u>
Reference and Administrative Details	1-2
Report of the Executive Committee	3-7
Report of the Auditors	8
Statement of Financial Activities	9
Balance Sheet	10
Notes to the Financial Statements	11-18

THE ROYAL ECONOMIC SOCIETY

**REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISORS
FOR THE YEAR ENDED 31 DECEMBER 2011**

MEMBERS OF THE EXECUTIVE COMMITTEE

PRESIDENT:	Prof Richard Blundell CBE FBA
TREASURER:	Mr Mark H Robson
SECRETARY GENERAL:	Prof John A Beath FRSE *
SECOND SECRETARY:	Prof Robin Naylor *
EDITORS:	Prof Rachel Griffith * Prof David Myatt * Prof Richard Smith *
COUNCILLORS:	Prof Nick Crafts Prof Paul Grout Prof Mark Armstrong Prof Jonathon Haskel+
CO-OPTED:	Prof Neil Rickman * Prof Karen Mumford * Prof Gareth Myles *

+Appointed 18 April 2011

*Appointed 20 December 2011

COUNCIL MEMBERS ALSO SERVING AS CHARITY TRUSTEES DURING AN EARLIER PART OF THE YEAR

From 1 January to 18 April 2011:

Sir John Vickers FBA
Prof Rachel Griffith
Dr Jim O'Neill
Prof Avinash Persaud
Dr Patricia Rice
Prof Kate Rockett
Prof Jonathon Temple

From 18 April to 20 December 2011:

Prof Paul Collier
Dr Joe Grice
Prof Gilat Levy
Dr Gerard Lyons
Prof Andrea Prat

From 1 January to 20 December 2011:

Sir Anthony Atkinson FBA
Mr Eric Bergl f
Prof Keith Blackburn
Prof Simon Burgess
Lord Burns GCB
Mr Spencer Dale
Prof Sir Partha Dasgupta FRS FBA
Ms Stephanie Flanders
Mr Chris Giles
Prof Frank H Hahn FBA
Mr C Jeremy M Hardie CBE
Prof Sir David Hendry FBA
Prof Guy Laroque
Mr Paul Mason
Prof Costas Meghir
Mr David Miles
Prof Sir James Mirrless FBA

Prof Steve J Nickell CBE FBA
Prof M Hashem Pesaran
Prof Richard Portes CBE
Mr Dave Ramsden CBE
Prof Lucrezia Reichlin
Prof Helene Rey
Dr Penelope A Rowlatt
Prof Amartya K Sen FBA
Prof Z Aubrey Silberston CBE
Prof Lord Skidelsky
Prof M Stevens
Prof John Sutton FBA
Prof Jonathon P Thomas
Prof Catherine Waddams
Mr Paul Wallace
Prof David C Webb
Prof H Peyton Young

THE ROYAL ECONOMIC SOCIETY

**REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISORS
FOR THE YEAR ENDED 31 DECEMBER 2011**

HEAD OFFICE:

University of St. Andrews
St. Andrews
Fife KY16 9AL

REGISTERED CHARITY NUMBER:

231508

AUDITORS:

Kingston Smith LLP
Devonshire House
60 Goswell Road
London EC1M 7AD

BANKERS:

Natwest Bank plc
143 High Street
Bromley
Kent BR1 1YZ

INVESTMENT MANAGERS:

Legal & General Investment Management Ltd
One Coleman Street
London EC2R 5AA

THE ROYAL ECONOMIC SOCIETY

REPORT OF THE EXECUTIVE COMMITTEE FOR THE YEAR ENDED 31 DECEMBER 2011

The Executive Committee presents its report together with the Financial Statements of the Charity for the year ended 31 December 2011.

REFERENCE AND ADMINISTRATIVE INFORMATION

The charity was founded in 1902 and is registered with the Charity Commission under charity number 231508.

The reference and administrative details of the Charity are shown on page 1 and 2 of the Financial Statements.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Royal Economic Society is constituted by a Royal Charter of Incorporation dated 2 December 1902 as amended by a supplemental charter dated 26 January 1968 and bylaws as made in General Meetings of the Society from time to time, subject to the consent of the Privy Council. There are no specific restrictions imposed by the governing document.

The bylaws of the Society have been completely revised during the year by order of the Privy Council made on 20 December 2011 and taking immediate effect. Prior to this date the Council of the Society (rather than the Executive Committee) had responsibility for the general management of its affairs.

Appointment of Trustees

The charity trustees of the Society are the members of its Executive Committee, comprising a balance of honorary elected officers (President, Immediate Past President or President-Elect and Treasurer), executive officers (Secretary General, Second Secretary and Editors), five members appointed by the Council, and members co-opted by the Council on a proposal from the Executive Committee. No charity trustee receives any remuneration in that capacity, but a minority are in receipt of honoraria in respect of specific offices held, under written agreement as to the terms of appointment made by the Executive Committee excluding the individuals concerned.

Members of Executive Committee are nominated by members of the Society and considered by the Nominating Committee (consisting of five members plus the President and Secretary General ex officio). The Nominating Committee draws up a list of candidates who are voted upon by the members of the society to become members of Executive Committee for a term of five years.

All new members of the Executive Committee receive the Charity Commission's Information on the responsibilities of Charity Trustees. They do not undertake any formal training on appointment, but training on an ad-hoc basis is undertaken when required.

The day to day running of the Society is delegated by the Executive Committee to the Secretary General and Second Secretary.

Risk Management

The Executive Committee regularly reviews the major risks to which the Society is exposed. The key categories of risk relate to governance, finance and operations:

a) **Governance Risks**

During 2009, the Executive Committee and Council reviewed the Society's governance arrangements, with a view to reducing risk while increasing the effective use of funds for charitable activities. Proposals for change were accepted by the Charity Commission, agreed at the 2010 AGM and approved after minor amendment by the Privy Council, which has made new bylaws effective from 20 December 2011.

b) **Financial Risks**

The fact that finance is a standing item of business for meetings of the Executive Committee and Council ensures that the appropriate financial information is regularly scrutinised. The Society's investments are held in a variety of unit trusts in order to minimise systematic risk and the investment policy is reviewed against performance at least every three years. Internal risks are minimised by the implementation of procedures for authorisation of all projects and financial transactions.

c) **Operational Risks**

As the agent for the Executive Committee, the Secretary General has the responsibility for maintaining a sound system of internal control that supports the achievement of the Society's aims and objectives, whilst safeguarding its assets and ensuring proper application of its income to its charitable objects.

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Society's aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 December 2011 and up to the date of approval of the annual report and accounts.

During the year, the key risks that might impact on the Society's objectives and the internal procedures have been kept under review and a risk register is in place. This identifies external and internal risks. It is believed to be fully consistent with the guidance on risk published by the Charity Commission.

OBJECTIVES AND ACTIVITIES

Objects

The Royal Economic Society is established to promote and foster the study of economic science. The Society is also concerned with the application of the results of that study.

These objects are undertaken by means of publications, the Annual Conference, a Postgraduate Conference and helping to further the study of economics via free Public Lectures, a programme of various Grants, Projects and Junior Fellowships, and an annual essay competition for Young Economists focused on schools.

The Executive Committee confirm that they have complied with the duty in section 4 of the Charities Act 2006, to have due regard to the Charity Commission's general guidance on public benefit. The Executive Committee believes that social welfare is advanced by promoting and fostering the study of economic science, and that its activities serve to educate the public, and particularly that section of the public that is interested in issues of economic policy. The results of the economic research that the Society supports are widely disseminated through its publications. Although the benefits of the Society's work are by no means restricted to its members, the subscription is deliberately set at a low level relative to that of most charitable learned societies so as to encourage a broad base of membership, including those on low incomes.

Strategies to Achieve Objectives

The Society meets its objects by undertaking the following activities:

1. **Membership**

The Society has a membership scheme whereby anyone who is interested in the study of economics can join and conferences are held where lectures and discussions on economic subjects take place.

2. **Publications**

The Society is involved with a number of publications, the major ones being The Economic Journal and The Econometrics Journal which it publishes through Wiley-Blackwell. Members of the Society are entitled to copies of The Economic Journal and a quarterly Newsletter.

On-line access of The Economic Journal and The Econometrics Journal is available and is being heavily used. In 2011, articles in The Economic Journal were accessed 827,812 times compared to 501,536 times in 2010.

In addition, the Society publishes scholarly editions of classic works in economics, including those by Edgeworth, Keynes, Malthus, Marshall and Ricardo.

3. **Projects, Grants and Subscriptions**

The main grant schemes are all outlined in note 8 to the accounts. Most should be fairly self explanatory. The main and postgraduate conference grant schemes provide support for individuals of limited means to meet the costs of attending. The University of Birmingham Easter and Autumn Schools provide advanced training for doctoral students. The University of Bristol Graduate Teaching Assistant and Economics Network schemes provide support for early career academic economists, to which the Society contributes when requested.

The "Econometrics Game" is a European simulation training exercise for university students. Specific conferences and visiting lecturers are also able to be supported. Authority to accept applications for grant support is delegated to the Secretary General, within the financial limits and overall policy determined by the Executive Committee.

ACHIEVEMENTS AND PERFORMANCE

Review of activities

In line with the objects of the Society the key achievements during the year ended 31 December 2011 were as follows:

a) **Projects, Grants and Subscriptions**

During the year the Society supported a large number of projects spending a total of £239,199 (2010: £230,284) before the allocation of support costs. Two new small grant schemes were introduced in the course of 2010, and have been promoted in the course of 2011 to encourage suitable applications for project support and grants for charitable purposes.

**REPORT OF THE EXECUTIVE COMMITTEE
FOR THE YEAR ENDED 31 DECEMBER 2011**

Review of activities - continued

b) Membership and Publications

At the end of 2011 the Society had a strong and international membership consisting of 2,942 members (2010: 2,726). A particular feature of note has been the steady growth in the number of student members in response to the scheme of subsidised student membership.

The Economic Journal and The Econometrics Journal continue to be acknowledged as leading journals in the field of economics. Wiley-Blackwell, the Society's publishers for both, state that they are among the most accessed journals of those they publish. The 2003 to 2007 volumes of the Economic Journal are also available on CD ROM.

The Society's website (www.res.org.uk) continues to offer many features to maximise usage and readership, and to enhance the Society's profile, but has been redesigned to incorporate many new and improved features from early 2012.

c) Conference

The annual conference held at Royal Holloway University of London was exceptionally successful with a packed programme of lectures and events which were well attended by approximately 574 delegates (2010: approximately 400) of whom 363 were members of the Society. The total number attending was significantly higher than in the previous year, partly because of extensive marketing efforts. The 2012 event will be at Cambridge University and advance booking has again been heavy.

d) Postgraduate Conference

The postgraduate conference was held for the first time in 2006 (24 universities attended) and due to its success has continued to be held each January. The number of students attending and the number of institutions represented has remained reasonably constant, and in 2011 24 institutions were represented (2010: 23), with 259 participants of whom 195 scholars gave presentations of student research, either as formal presentations or as poster sessions.

e) Annual Public Lectures

The annual public lecture was first held in 2001 and was attended by approximately 500 individuals (some members and some non members). It is held in London and in one other venue around the UK. The 2011 lecture was again successful and attended by approximately 850 people (2010: 671). As part of the London event, the prize for the Young Economist of the Year Competition is presented. From an entry of over 500 (2010: 511), there was one winner in 2011 who received an engraved trophy and a cheque for £1,000. Two runners up received another £1,000 between them.

In 2011 a new series of Policy Lectures, also free and open to the public, was instituted.

f) Women's Committee

In the course of 2010 and continuing throughout 2011, the activities of the Society's Women's Committee have been expanded significantly.

FINANCIAL REVIEW

Explanation of the Statement of Financial Activities and the Application of the Society's Funds

The Executive Committee considers that the key figure in the Statement of Financial Activities (see page 9) is the surplus before asset revaluations of £101,820 compared with £130,818 in 2010.

The Economic Journal has produced a surplus for the year of £315,097 (2010: £329,329), before the apportionment of support costs, representing a slight fall in sales. The Econometrics Journal has produced a surplus of £3,898 (2010: £21,199), before the apportionment of support costs (see notes 3 and 4 respectively on page 12). An important element in these improved results has been the weakness of sterling during the last three years, leading to higher income from overseas sales. This effect is unlikely to be sustainable indefinitely, and income may well become more volatile.

Investment income recorded in the Statement of Financial Activities is £123,957 (2010: £109,219).

As usual, the major part of funds expended was on publishing the Economic and Econometrics Journals, as well as books by renowned economists. In addition, funds were expended on conferences, and various projects, grants and subscriptions (as detailed in note 8 to the accounts). All of these support and promote the objects of the Society.

**REPORT OF THE EXECUTIVE COMMITTEE
FOR THE YEAR ENDED 31 DECEMBER 2011**

Review of activities - continued

Use of Assets

Investments continue to be held in index tracking unit trusts, managed passively by Legal and General Investment Management since mid-2006. The investments provide an important source of income to support the Society's activities. Investment income currently accounts for around 10.1% of annual gross income. The market value of our investment portfolio decreased by £294,683 (see note 14). During 2009, the Society's investment objectives were reviewed by the Executive Committee and a new Statement of Investment Principles was approved by the Council, and implemented in November. The Statement will be reviewed in the course of 2012. While the Society assesses the performance of its investment portfolio by reference to total return, considering one year, three year and five years bases, only income is taken into account when budgeting, on a conservative basis and to avoid large fluctuations from year to year.

Performance of the Society's investment portfolio (return on opening valuation) over the last five years has been as follows:

Calendar year	Annual income	Annual total return		
		One year	Three year	Five year
2007	2.7%	7.5%	13.4%	13.4%
2008	2.7%	-18.1%	-0.4%	5.2%
2009	3.2%	18.8%	1.5%	7.2%
2010	2.6%	14.2%	3.6%	6.0%
2011	2.7%	-3.6%	9.4%	2.9%

These results are considered satisfactory, given the Society's objects. They will continue to be monitored annually by the Executive Committee and the continuing appropriateness of the investment principles reconsidered at least every three years.

Significant events since the year end

Since the year end there have been no significant events that require reporting.

Reserves Policy

The Executive Committee maintain the Society's reserves to provide income to support the ongoing activities of the Society. The reserves are kept at a level to provide continuity of activities due to fluctuations in the Society's sources of income, with modest growth to enable future expansion of charitable activities. The Executive Committee believes that the level of reserves should represent at least 24 months' expenditure (£2.3 million). The current level of reserves is, however, considerably higher. Bearing that in mind, the Council had already adopted in 2009 a target for increasing annual charitable expenditure by up to £100,000 per year. But it is also anticipated that, given the extent of the reduction in government funding for higher education that is now planned for the remainder of the current Parliament, there may be new calls on the Society to support teaching and research in economic science in UK universities. The Executive Committee believe that the current level is therefore appropriate.

PLANS FOR FUTURE PERIODS

The Society will continue to foster and encourage the communication of economic information through its financial support of projects and grants to individuals and will continue to promote the advantages of membership and to promote its publications. With this object, a Second Secretary was appointed to assist the Secretary General with his duties from January 2011 and has been highly active throughout the year.

From April 2011, the editorial structure of the Economic Journal was reinforced by adding a sixth editor and rebalancing the duties and functions of the editors. This new structure is already proving to work well and provides a sound basis for continuing improvements.

A new website to provide a broader range of services and information to members and the public was launched early in 2012 and will continue to be developed.

In the course of 2012 a new contract will be concluded with Cambridge University Press, to begin digitising the Society's existing scholarly editions so as to make them more widely available.

THE ROYAL ECONOMIC SOCIETY

REPORT OF THE EXECUTIVE COMMITTEE FOR THE YEAR ENDED 31 DECEMBER 2011

ACCOUNTING AND REPORTING RESPONSIBILITIES

The Executive Committee is responsible for preparing the Report of the Charity Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England & Wales requires the Executive Committee to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards 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 will continue in business.

The Executive Committee is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 1993, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the Royal Charter. The Executive Committee is also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Executive Committee: M H Robson

Dated: 15 March 2012

THE ROYAL ECONOMIC SOCIETY

**INDEPENDENT AUDITORS' REPORT TO THE CHARITY TRUSTEES OF
THE ROYAL ECONOMIC SOCIETY**

We have audited the financial statements of The Royal Economic Society for the year ended 31 December 2011 which comprise the Statement of Financial Activities, the Balance Sheet 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 regulations made under section 144, Chapter 3 of Part 8 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the company's members 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 any party other than the charity and charity's trustees as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Accounting and Reporting Responsibilities of the Executive Committee, set out on page 7, the trustees are responsible for the preparation of financial statements which give a true and fair view. We have been appointed as auditor under section 144, Chapter 3 of Part 8 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2011, and of its 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.

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 requires us to report to you if, in our opinion:

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

Kingston Smith LLP

19 March 2012

Statutory auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

Kingston Smith LLP is eligible to act as auditor in terms of Section 1212 of the Companies Act 2006.

THE ROYAL ECONOMIC SOCIETY

STATEMENT OF FINANCIAL ACTIVITIES
INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Totals 31/12/11 £	Totals 31/12/10 £
INCOMING RESOURCES FROM GENERATED FUNDS			
Investment Income	2	123,957	109,219
INCOMING RESOURCES FROM CHARITABLE ACTIVITIES			
Membership Subscriptions		95,813	87,938
Economic Journal	3	666,217	646,635
Econometrics Journal	4	123,733	156,976
Publishing Activities	5	25,243	41,201
Annual Conference		192,720	68,180
Postgraduate Conference		-	-
Newsletter	6	273	23
Liberty Fund	7	883	794
TOTAL INCOMING RESOURCES		<u>1,228,839</u>	<u>1,110,966</u>
RESOURCES EXPENDED			
Costs of Generating Funds			
Investment Management Costs	11	9,322	8,671
Charitable Activities			
Economic Journal	3	392,102	361,699
Econometrics Journal	4	133,822	154,773
Publishing Activities	5	18,156	34,278
Newsletter	6	28,529	28,514
Annual Conference		244,673	100,702
Postgraduate Conference		14,570	11,870
Projects, Grants and Subscriptions	8	<u>267,118</u>	<u>262,502</u>
		1,108,292	963,009
Governance Costs	10	<u>18,727</u>	<u>17,139</u>
TOTAL RESOURCES EXPENDED		<u>1,127,019</u>	<u>980,148</u>
NET INCOMING RESOURCES BEFORE REVALUATIONS AND INVESTMENT ASSET DISPOSALS		101,820	130,818
GAINS AND LOSSES ON REVALUATIONS AND DISPOSAL OF INVESTMENT ASSETS	14	(294,683)	479,738
NET MOVEMENT IN FUNDS		<u>(192,863)</u>	<u>610,556</u>
TOTAL FUNDS BROUGHT FORWARD		4,929,818	4,319,262
TOTAL FUNDS CARRIED FORWARD		<u>4,736,955</u>	<u>4,929,818</u>

All movements during the year relate to unrestricted funds.

CONTINUING OPERATIONS

None of the Charity's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The Charity has no recognised gains or losses other than the net incoming resources for the current and previous years.

The notes on pages 11 to 18 form an integral part of these Accounts

THE ROYAL ECONOMIC SOCIETY

BALANCE SHEET
AS AT 31 DECEMBER 2011

	Notes	2011 £	2010 £
FIXED ASSETS			
Tangible Fixed Assets	13	1,136	913
Fixed Asset Investments	14	<u>4,551,474</u>	<u>4,605,479</u>
		4,552,610	4,606,392
CURRENT ASSETS			
Stock	15	6,174	6,397
Debtors	16	145,671	202,693
Cash on Deposit, Current Account and in Hand		<u>167,230</u>	<u>295,875</u>
		319,075	504,965
LESS: CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	17	134,730	181,539
		<u>184,345</u>	<u>323,426</u>
NET CURRENT ASSETS		<u>184,345</u>	<u>323,426</u>
TOTAL NET ASSETS		<u>4,736,955</u>	<u>4,929,818</u>
UNRESTRICTED FUNDS:			
General Fund	18	1,609,553	1,507,733
Investment Reserve	18	3,127,402	3,422,085
		<u>4,736,955</u>	<u>4,929,818</u>

Approved by the Trustees and authorised for issue on:

Date: 15 March 2012

Signed on their behalf by: M H Robson

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1. **ACCOUNTING POLICIES**

Basis of Preparation

The financial statements have been prepared in accordance with The Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2005 (2nd Edition)) issued in March 2005, and with applicable UK accounting standards and the Charities Act 1993. These financial statements are drawn up on the historical cost accounting basis except that investment assets are carried at market value.

Cashflow Statement

The Society has taken advantage of the exemptions provided by Financial Reporting Standard 1 and has not prepared a Cashflow Statement for the year.

Membership Subscriptions

Subscriptions are accounted for on an accruals basis.

Investment Income

Investment Income comprises distributions and interest received and receivable.

Stocks

Stocks of books are based on quantities shown in the Publishers' Returns which are valued at cost, after making appropriate allowance for the expected net realisable value.

No value is attributed to back issues of the Economic Journal.

Fixed Assets

Equipment has been written down at 25% on the reducing balance basis.

Equipment purchases over £100 are capitalised.

Fund Accounting

General funds are available for use at the discretion of the general objectives of the organisation.

All income and expenditure is shown in the Statement of Financial Activities.

Investment Reserve

All profits or losses on disposals and revaluation of investments after 1 January 1978 are credited or debited to this account.

Grants

Grants are treated as expenditure once they are approved and the offer is conveyed to the recipient, except in cases where the offer is conditional; such grants being recognised as expenditure only when the conditions are fulfilled.

Resources Expended

Expenditure is accounted for on an accruals basis.

- Cost of Generating Funds

Cost of generating funds comprises those costs of generating incoming resources from all sources other than undertaking charitable activities.

- Charitable Activities

Charitable activities are those costs incurred directly in achieving the charitable objectives.

- Governance Costs

Governance costs comprise the costs of running the charity, including strategic planning for its future developments, also external audit and the preparation of statutory accounts.

- Support Costs

All costs are allocated between the expenditure categories of the SOFA on a basis designed to reflect the use of the resource. Costs relating to a particular activity are allocated directly.

Where support costs cannot be attributed directly, they are apportioned on a percentage basis using the direct cost allocation.

Investments

Closing valuations are at market value.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2011**

2.	INVESTMENT INCOME		
		2011	2010
		£	£
	Interest receivable	1,074	602
	Dividends receivable from investments and unit trusts	122,883	108,617
		<u>123,957</u>	<u>109,219</u>
3.	ECONOMIC JOURNAL		
		2011	2010
		£	£
	Receipts:		
	Sales of current volume to non members	602,345	594,099
	Sales of back numbers, royalties and misc.	39,123	30,816
	Advertising Revenue	4,993	4,532
	JSTOR Revenue	19,756	17,188
	Total Receipts	<u>666,217</u>	<u>646,635</u>
	Expenditure:		
	Honoraria, fees, referees and noters	223,364	184,870
	Depreciation	332	305
	Printing, paper and distribution	119,653	124,992
	Other Expenses	7,771	7,139
	Total Expenditure before the allocation of support costs	<u>351,120</u>	<u>317,306</u>
	Net Surplus before the allocation of support costs	<u>315,097</u>	<u>329,329</u>
	Support costs (note 9)	40,982	44,393
	Net Surplus after the allocation of support costs	<u>274,115</u>	<u>284,936</u>
4.	ECONOMETRICS JOURNAL		
		2011	2010
		£	£
	Receipts:		
	Subscriptions	119,246	152,385
	Sales of back numbers, rights and permissions	4,487	4,591
	Total Receipts	<u>123,733</u>	<u>156,976</u>
	Expenditure:		
	Printing, paper and distribution	27,244	24,312
	Retained by Blackwell Publishers	48,245	66,332
	Honoraria and other expenditure	44,346	45,133
	Total Expenditure before the allocation of support costs	<u>119,835</u>	<u>135,777</u>
	Net Surplus before the allocation of support costs	<u>3,898</u>	<u>21,199</u>
	Support costs (note 9)	13,987	18,996
	Net (Deficit)/Surplus after the allocation of support costs	<u>(10,089)</u>	<u>2,203</u>

THE ROYAL ECONOMIC SOCIETY

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2011

5. **PUBLISHING ACTIVITIES**

	RES Risk Keynes Series	
	2011	2010
	£	£
Receipts:		
From Publishers	25,243	37,901
From Members	-	3,300
	<hr/> 25,243	<hr/> 41,201
Less: Royalties	8,977	10,611
Net Receipts:	<hr/> <hr/> 16,266	<hr/> <hr/> 30,590
Expenditure:		
Printing, Paper and Distribution	6,131	17,666
Professional Fees	1,150	1,794
Support costs (note 9)	1,898	4,207
Total Expenditure:	<hr/> <hr/> 9,179	<hr/> <hr/> 23,667
Net Surplus	<hr/> <hr/> 7,087	<hr/> <hr/> 6,923

6. **NEWSLETTER**

The Royal Economic Society Newsletter is issued quarterly and is supplied free to members. Newsletter Income represents subscriptions from non-members.

7. **LIBERTY FUND**

This is the release of the 7 year licence fee received, which expires on 21 May 2015.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2011**

8.	PROJECTS, GRANTS AND SUBSCRIPTIONS		
		2011	2010
		£	£
	Projects		
	Media Initiative	72,330	66,907
	Women in Economics Committee	3,345	3,582
	Junior Fellowships	65,000	65,000
	Grants		
	Conference Grant Scheme	9,603	5,700
	Small Budget Scheme	2,650	2,243
	Special Project Grant Scheme	5,500	2,500
	Visiting Lecturer Scheme	2,000	220
	Annual Conference Postgraduate Grants	20,233	15,638
	Birmingham Easter and Autumn Schools	29,495	16,505
	University of Bristol - New Lecturer and Graduate Teaching Assistant Workshops 2009	-	4,000
	University of Bristol - Student Placement on 'Why Study Economics'	-	5,000
	University of Bristol - GTA Lecturer Workshop	-	4,000
	University of Bristol - Economics Network Student Placement Officer	-	5,000
	Econometrics Game	2,256	2,265
	University of Warwick - 'Lessons from the 1930s' Conference	-	5,000
	Subscriptions		
	International Economic Association	3,775	3,779
	Other		
	Support for Publications	2,471	2,942
	CHUDE	1,054	1,362
	RES Prize	3,000	3,010
	RES Public Lecture	4,454	5,541
	Welsh Economists Colloquium	-	-
	Young Economist of the Year Competition	6,720	8,820
	Austin Robinson Prize	2,000	-
	LSE Archive of Papers	-	-
	Research Funding Campaign	3,313	270
	Publication of the Reissue of Essays in Persuasion	-	1,000
	Total before the allocation of support costs	239,199	230,284
	Support costs (note 9)	27,919	32,218
	Total after the allocation of support costs	267,118	262,502

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2011

9. SUPPORT COSTS

	Note	Management Charge and Honoraria £	Office Expenses, Printing, Stationery, Postage and Telephone £	Travel and Subsistence £	Accountancy Fee and Expenses £	Accommodation Overhead Charge £	Total 2011 £	Total 2010 £
Economic Journal	3	23,208	3,579	1,840	10,571	1,784	40,982	44,393
Econometrics Journal	4	7,921	1,221	628	3,608	609	13,987	18,996
Publishing Activities	5	1,074	166	85	490	83	1,898	4,207
Newsletter		1,689	260	134	769	130	2,982	3,499
Annual Conference		14,481	2,233	1,149	6,596	1,113	25,572	12,360
Postgraduate Conference		863	133	68	393	66	1,523	1,457
Projects, Grants and Subscriptions	8	15,810	2,438	1,254	7,202	1,215	27,919	32,218
		<u>65,046</u>	<u>10,030</u>	<u>5,158</u>	<u>29,629</u>	<u>5,000</u>	<u>114,863</u>	<u>117,130</u>

All costs are allocated between the expenditure categories of the SOFA on a basis designed to reflect the use of the resource. Costs relating to a particular activity are allocated directly.

Where support costs cannot be attributed directly, they are apportioned on a percentage basis using the direct cost allocation.

THE ROYAL ECONOMIC SOCIETY

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2011**

10. GOVERNANCE COSTS

	2011	2010
	£	£
Audit Fee	6,250	6,000
Statutory Accounts Preparation	3,000	3,000
Cost of Trustee Meetings	4,416	2,531
Professional Fees	5,061	5,608
	<u>18,727</u>	<u>17,139</u>

11. INVESTMENT MANAGEMENT COSTS

This represents the charges made by the Investment Managers.

12. TRUSTEES' EXPENSES

The trustees did not receive any honoraria or remuneration during the year. Travel and subsistence expenses totalling £293 was reimbursed to 3 trustees (2010: £103 was reimbursed to 6 trustees). The Executive Committee along with their spouses/partners hold an Annual Dinner for those who serve the Society (publication editors, the administration and membership secretaries and accountants), the cost of which totalled £2,187 (2010: £1,641).

**13. TANGIBLE FIXED ASSETS
COST:**

	Equipment
	£
At 1 January 2011	3,317
Additions	555
At 31 December 2011	<u>3,872</u>
DEPRECIATION:	
At 1 January 2011	2,404
Charge for Year	332
At 31 December 2011	<u>2,736</u>
NET BOOK VALUE:	
At 31 December 2011	<u>1,136</u>
At 31 December 2010	<u>913</u>

Fixed assets are held as unrestricted for the furtherance of the Charity's general charitable objectives and charged to project activity through depreciation charges in accordance with the accounting policies.

THE ROYAL ECONOMIC SOCIETY

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2011**

14. FIXED ASSET INVESTMENTS

	2011	2010
	£	£
The movement on the Market Value of Investments is:		
Market Value brought forward	4,605,479	4,134,412
Disposal of investments at market value	-	-
Cost of additions	250,000	-
Settlement of fees	(9,322)	(8,671)
Gain/(loss) on market value	(294,683)	479,738
Market Value carried forward	<u>4,551,474</u>	<u>4,605,479</u>
Historical cost	<u>4,278,935</u>	<u>4,028,935</u>
The balance sheet figure is made up as follows:		
Investments at market value	<u>4,551,474</u>	<u>4,605,479</u>

The basis of valuation is market value as at 31 December 2011 and is analysed as follows:

Unit Trusts:	Cost Value	Market Value at 31/12/11
	£	£
L & G European Index Trust	436,337	389,659
L & G All Stocks Gilt Index Trust	792,762	915,938
L & G Japanese Index Trust	526,337	461,604
L & G Pacific Index Trust	286,337	438,978
L & G US Index Trust	406,337	494,555
CAF UK Equitrack Fund	1,830,825	1,809,896
	<u>4,278,935</u>	<u>4,510,630</u>
Others:		
Vanguard Horizon Global Equity Fund	-	40,844
	<u>4,278,935</u>	<u>4,551,474</u>

NB The Vanguard Horizon Global Equity Fund represents a donation by a Royal Economic Society Member and is therefore excluded from Cost Value.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2011

15. **STOCK**

	2011	2010
	£	£
RES Risk Keynes Series	4,829	5,052
RES Risk Ricardo Series	1,345	1,345
	<u>6,174</u>	<u>6,397</u>

16. **DEBTORS**

	2011	2010
	£	£
Publishing	107,024	175,364
Sundry Debtors	38,647	27,329
	<u>145,671</u>	<u>202,693</u>

17. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2011	2010
	£	£
Trade Creditors	20,880	18,336
Accruals	93,410	146,167
VAT	20,440	17,036
	<u>134,730</u>	<u>181,539</u>

18. **MOVEMENT IN FUNDS**

	At 1.1.11	Net movement in funds	At 31.12.11
	£	£	£
Unrestricted funds			
General fund	1,507,733	101,820	1,609,553
Investment reserve	<u>3,422,085</u>	<u>(294,683)</u>	<u>3,127,402</u>
TOTAL FUNDS	<u>4,929,818</u>	<u>(192,863)</u>	<u>4,736,955</u>

Net movement in funds, included in the above are as follows:

	Incoming resources	Resources expended	Gains and losses	Movement in funds
	£	£	£	£
Unrestricted funds				
General fund	1,228,839	(1,127,019)	-	101,820
Investment reserve	<u>-</u>	<u>-</u>	<u>(294,683)</u>	<u>(294,683)</u>
TOTAL FUNDS	<u>1,228,839</u>	<u>(1,127,019)</u>	<u>(294,683)</u>	<u>(192,863)</u>