

Royal Society of New Zealand

Statement of Financial Performance for the year ended 30 June 2006

	Note	30-Jun-06	30-Jun-05
<i>Income</i>			
Society membership		185,699	184,559
Income from products and services		4,312,388	4,057,768
Sponsorship and donations		542,564	397,080
Investment property		172,637	168,745
Interest		283,446	232,469
Operating Income		<u>5,496,734</u>	<u>5,040,621</u>
<i>Expenditure</i>			
Audit fees		26,250	25,200
Operating leases		7,236	7,236
Depreciation - furniture and equipment		22,540	29,169
Depreciation - computer equipment		52,223	55,569
Depreciation - buildings		22,042	22,042
Operating Personnel		2,305,462	2,227,604
Operating Expenditure		<u>2,583,045</u>	<u>2,501,503</u>
Surplus from Operating Activities		<u>477,936</u>	<u>172,298</u>
Designated Purpose Funds	4		
<i>Income</i>			
Donations		9,844	394,830
Interest & Other income		36,443	19,461
Total Income		<u>46,287</u>	<u>414,291</u>
<i>Expenditure</i>			
		<u>75,633</u>	<u>86,594</u>
Surplus from Designated Purpose Funds		<u>(29,346)</u>	<u>327,697</u>
Net surplus		<u>448,590</u>	<u>499,995</u>

Statement of Movements in Equity for the year ended 30 June 2006

	Note	30-Jun-06	30-Jun-05
<i>The opening equity is made up as follows:</i>			
Accumulated funds		1,622,401	1,622,401
Property revaluation reserve		2,402,481	2,402,481
Investment property revaluation reserve		2,153,944	1,808,944
Designated purpose funds		2,878,170	2,378,175
Total opening equity		9,056,996	8,212,001
Net surplus for the year		448,590	499,995
Revaluation of property		667,083	-
Revaluation of investment property		725,000	345,000
Equity at the end of the year		10,897,669	9,056,996
<i>The equity at the end of the year is made up as follows:</i>			
Accumulated funds	2	1,622,401	1,622,401
Property revaluation reserve	3	3,069,564	2,402,481
Investment property revaluation reserve	3	2,878,944	2,153,944
Designated purpose funds	4	3,326,760	2,878,170
Total equity at the end of the year		10,897,669	9,056,996

This statement is to be read in conjunction with the notes on pages 4 to 8

Statement of Financial Position as at 30 June 2006

	Note	30-Jun-06	30-Jun-05
<i>Current assets</i>			
Cash and bank current accounts	5	223,448	29,204
Treasury call accounts	5	545,610	317,462
Accounts receivable	6	279,856	302,526
Prepayments		59,593	94,682
Stock		11,000	11,000
Total current assets		1,119,507	754,874
<i>Investments</i>			
Term deposits		2,455,225	1,100,000
Commercial paper / Corporate bonds		1,897,189	2,868,008
Fixed term securities		144,000	144,000
Agency funds		50,968	59,111
Total investments	7	4,547,382	4,171,119
<i>Non-current assets</i>			
Property, plant and equipment	8	3,388,711	2,795,316
Investment properties	9	3,530,000	2,805,000
Total non-current assets		6,918,711	5,600,316
Total assets		12,585,600	10,526,309

<i>Current liabilities</i>		
Accounts payable and accrued expenses	679,245	609,394
Income in advance	700,718	576,708
Employee entitlements	307,968	283,211
<i>Total liabilities</i>	<u>1,687,931</u>	<u>1,469,313</u>
Net assets	<u>\$ 10,897,669</u>	<u>\$ 9,056,996</u>
Equity	<u>\$ 10,897,669</u>	<u>\$ 9,056,996</u>

The Council of the Royal Society of New Zealand authorised these financial statements for issue on 14th September 2006.

Neville Jordan
President

Dr Steve Thompson
Chief Executive Officer

Statement of Cash Flows for the year ended 30 June 2006

	Note	30-Jun-06	30-Jun-05
<i>Cash flows from operating activities</i>			
<i>Cash was provided from:</i>			
Interest		285,595	222,192
Other income		5,404,106	5,334,480
<i>Cash was applied to:</i>			
Expenses		(4,867,929)	(4,899,042)
Net cash inflow from operating activities	10	<u>821,772</u>	<u>657,630</u>
<i>Cash flows from investing activities</i>			
<i>Cash was applied to:</i>			
Purchase of property plant and equipment		(23,117)	(33,006)
Purchase of Investments		(376,263)	(4,171,119)
Net cash outflow from investing activities		<u>(399,380)</u>	<u>(4,204,125)</u>
Net increase / (decrease) in cash held		422,392	(3,546,495)
Cash balance at the beginning of the year		346,666	3,893,161
Cash balance at the end of the year	5	<u>769,058</u>	<u>346,666</u>

Notes to the Financial Statements

for the year ended 30 June 2006

Note 1. Statement of accounting policies

Reporting entity

These are the Royal Society of New Zealand's (the Society) financial statements. They are prepared subject to the provisions of the Royal Society of New Zealand Act 1997.

Society operations

The Society is an independent statutory body, exempt from income tax. Its membership consists of fellows, ordinary Members, companions, constituent organisations, regional constituent organisations, affiliate organisations, honorary members and honorary fellows. The Society Council has control of the Society. The president and councillors are not remunerated.

The object of the Society is the advancement and promotion of science and technology in New Zealand. It does this by: fostering a culture within New Zealand that supports science and technology (promoting public awareness, knowledge, and understanding of science and technology; and advancing science and technology education); encouraging, promoting and recognising excellence in science and technology; providing an infrastructure and other support for the professional needs and development of scientists and technologists; establishing and administering for members a code of professional standards and ethics in science and technology; and providing expert advice on important public issues to the Government and the community.

The Society's revenue streams consist of; membership subscriptions, investment income, scientific journal subscriptions, sponsorship, donations and contract income. The most significant contract income relates to the management of contestable funds (seven in 2005-06) on behalf of government and the purchase of outputs by government. The contestable funds monies are not recorded as Society revenue as ownership of these funds does not vest in the Society.

Accounting convention

The financial statements are prepared under the modified historical cost accounting method. Land and buildings owned by the Society are revalued periodically. The Society accounts for investment properties in accordance with SSAP 17.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993.

Accounting policies

The financial statements are prepared in accordance with New Zealand generally accepted accounting practice.

The accounting policies that materially affect the measurement of financial performance, financial position and cash flows are set out below.

Revenue

Revenue is accounted for as earned.

Goods and services tax

The financial statements are GST exclusive, except for receivables and payables.

Accounts receivable

Accounts receivable are stated at their estimated net realisable value, after providing for doubtful and uncollectible debts.

Inventory

Inventory is recorded at the lower of cost or net realisable value. Cost of inventory is determined on an average cost basis.

Foreign currency

Transactions denominated in a foreign currency are converted to New Zealand dollars at the exchange rates in effect at the date of the transaction. Gains and losses due to fluctuations are included in the Statement of Financial Performance.

Employee entitlements

Provision has been made in respect of the Society's liability for annual leave, long service leave and retirement leave. This leave has been accrued for on an entitlement basis.

Tax Note

RSNZ is Income Tax exempt under section CB 4(1) (b) of the Income Tax Act 1994.

Statement of cash flows

The following are the definitions of the terms used in the statement of cash flows:

- (a) Operating activities includes all transactions and other events that are not investing or financing activities.
- (b) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments can include securities not falling within the definition of cash.
- (c) Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

Property plant, and equipment and depreciation

All property, plant and equipment is initially recorded at cost. The net current value of the land and buildings (other than investment property) is assessed by an independent valuer at least every three years and book values adjusted accordingly. Depreciation of property, plant and equipment, other than freehold land which is not depreciated, is calculated on a straight line basis so as to allocate the cost of the assets, or the revalued amount, over their estimated useful lives as follows:

Buildings	30 and 40 years
Furniture	10 years
Office equipment	5 and 10 years
Computer equipment	3 years

Investment properties

Investment properties are stated at open market value less estimated costs of disposal as determined by independent registered valuers at each balance date. Unrealised increases in the value of investment properties are included in the investment property revaluation reserve. Investment properties are not depreciated.

Historical memorabilia, library and portraits

No value is included in the financial statements for the Society's historical memorabilia, library or portraits. Any expenditure on these items is written off as incurred.

Financial instruments

The Society is a party to financial instruments as part of its normal operations. These financial instruments include bank current accounts, bank treasury call accounts, accounts receivable and accounts payable.

In the management of its Designated Purpose Funds the Society may also invest in Government Stock, Commercial Paper and Corporate Bonds provided that these meet specified credit rating risk criteria. Revenue and expenses in relation to financial instruments are recognised in the Statement of Financial Performance. Financial instruments are carried at the value at which they were they were purchased. At balance date this value approximates the fair value of the investments.

The credit risk is limited to the carrying amount or book value shown in the financial statements. The Society is subject to fluctuations in foreign currency. It does not enter into arrangements to hedge currency risk.

Cash

Cash is considered to be cash on hand, current accounts and treasury call accounts.

Changes in accounting policy

There have been no accounting policy changes from those used in the previous audited financial statements.

Note 2. Accumulated funds

	30-Jun-06	30-Jun-05
Opening accumulated funds	1,622,401	1,622,401
Operating surplus for the year	477,936	172,298
Transfer to development fund	(477,936)	(172,298)
Closing accumulated funds	<u>1,622,401</u>	<u>1,622,401</u>

Note 3. Revaluation reserves

	30-Jun-06	30-Jun-05
Property revaluation reserve		
Opening property revaluation reserve	2,402,481	2,402,481
Revaluation during the year	667,083	-
Closing property revaluation reserve	<u>3,069,564</u>	<u>2,402,481</u>
	30-Jun-06	30-Jun-05
Investment property revaluation reserve		
Opening investment property revaluation reserve	2,153,944	1,808,944
Revaluation during the year	725,000	345,000
Closing investment property revaluation reserve	<u>2,878,944</u>	<u>2,153,944</u>

Note 4. Designated purpose funds

	Balance 2006	Income	Expenditure	Transfer	Balance 2005
Development Fund	2,794,294	490	56,938	477,936	2,372,806
Charles Fleming Fund	395,415	36,390	17,666	-	376,691
Bates Memorial Scholarship	61,850	4,177	1,029	-	58,702
Academy Fund	75,201	5,230	-	-	69,971
Total	3,326,760	46,287	75,633	477,936	2,878,170

The Society has a number of designated purpose funds, including a fund (called the Development fund) that it is actively growing to enable it to develop Society initiatives. The funds are held in separate bank accounts. Interest earned by the Development fund is not shown above but reported in Operating Income.

Note 5. Cash and bank

	30-Jun-06	30-Jun-06	30-Jun-05	30-Jun-05
	\$	Interest rate	\$	Interest rate
Cash	500	-	500	-
Current accounts	222,948	0.25%	28,704	0.25%
Treasury call accounts	<u>545,610</u>	7.15%	<u>317,462</u>	6.65%
	<u>769,058</u>		<u>346,666</u>	

All the bank balances are held with a single counterparty (Bank of New Zealand)
The Society has a \$196,000 facility by way of BNZ Business Visa.

Note 6. Accounts receivable

	30-Jun-06	30-Jun-05
Gross accounts receivable	281,806	304,476
Provision for doubtful debts	(1,950)	(1,950)
Net accounts receivable	<u>279,856</u>	<u>302,526</u>

Note 7. Investments

	30-Jun-06	30-Jun-06	30-Jun-06	30-Jun-05
	\$	Interest rate	Maturities	\$
Term deposits	2,455,225	6.94 - 7.30%	1- 9 Mths	1,100,000
Commercial paper / Corporate bonds	1,897,189	6.58 - 7.33%	1- 9 Mths	2,868,008
Fixed term securities	144,000	6.15 - 8.25%	6- 30 Mths	144,000
Term deposits on behalf of James Hay travel	41,394	6.98%	2 Mths	40,706
Term deposits on behalf of IGAC conference	9,574	6.80%	12 Mths	18,405
	<u>4,547,382</u>			<u>4,171,119</u>

All the term deposits are held with a single counterparty (Bank of New Zealand).

All investments are held in tradable instruments and can be readily converted to cash.

Note 8. Property, plant and equipment

	Gross	Accumulated	Book value	Gross	Accumulated	Book value
	30-Jun-06	30-Jun-06	30-Jun-06	30-Jun-05	30-Jun-05	30-Jun-05
		depreciation			depreciation	
At cost						
Furniture and equipment	433,866	323,682	110,184	425,891	301,641	124,250
Computer equipment	463,525	427,998	35,527	448,883	375,775	73,108
	<u>897,391</u>	<u>751,680</u>	<u>145,711</u>	<u>874,774</u>	<u>677,416</u>	<u>197,358</u>
At valuation						
Land	2,763,000	-	2,763,000	1,845,000	-	1,845,000
Buildings	480,000	-	480,000	775,000	22,042	752,958
	<u>3,243,000</u>	<u>-</u>	<u>3,243,000</u>	<u>2,620,000</u>	<u>22,042</u>	<u>2,597,958</u>
	<u>4,140,391</u>	<u>751,680</u>	<u>3,388,711</u>	<u>3,494,774</u>	<u>699,458</u>	<u>2,795,316</u>

The Society's freehold land and buildings are stated at their 30 June 2006 valuation as determined by an independent registered valuer, TelferYoung.

Note 9. Investment properties

	30-Jun-06	30-Jun-05
Land	3,530,000	2,738,000
Buildings	-	67,000
	<u>3,530,000</u>	<u>2,805,000</u>

The Society's investment properties are stated at their 30 June 2006 valuation as determined by an independent registered valuer, TelferYoung.

Note 10. Reconciliation of net cash flow from operating activities with net surplus

	30-Jun-06	30-Jun-05
Net Surplus per Statement of Financial Performance	448,590	499,995
Add non-cash Item		
Depreciation	96,805	106,780
Add (deduct) movements in working capital items:		
Decrease/ (Increase) in accounts receivable	22,670	(6,774)
Decrease/(Increase) in prepayments	35,089	(46,436)
Decrease/(Increase) in stock	-	(6,000)
Increase/(Decrease) in accounts payable and accrued expenses	69,851	(29,209)
Increase in income in advance	124,010	108,534
Increase in employee entitlements	24,757	30,740
<i>Net cash inflow from operating activities</i>	<u>821,772</u>	<u>657,630</u>

Note 11. Contestable funds

	30-Jun-06	30-Jun-05
Opening contestable funds	6,219,861	8,354,954
Contestable funds received	43,915,000	39,763,725
Interest earned	326,629	346,954
Contestable funds paid out	(45,095,651)	(42,245,772)
Closing contestable funds	<u>5,365,839</u>	<u>6,219,861</u>

The Society manages seven contestable funds on behalf of government. The fund monies shown in this note are not included in the Society's Statement of Financial Performance, Statement of Financial Position or Statement of Cash Flows, as ownership of the monies is not vested in the Society. This note serves to highlight the significant funding administered by the Society.

Note 12. Commitments

There was a capital commitment of \$67,812 at 30 June 2006. This was for the refurbishment of Fleming House for August 2006.

There were no capital commitments at 30 June 2005.

Operating lease commitments for RSNZ are:	30-Jun-06	30-Jun-05
Less than 1 year	7,236	7,236
More than 1 year but less than 2 years	7,236	7,236
More than 2 years but less than 5 years	5,428	12,664
TOTAL	19,900	27,136

Note 13. Contingent liabilities

There were no contingent liabilities at either 30 June 2006 or 30 June 2005.

Note 14. International Financial Reporting Standards

In December 2002 the New Zealand Accounting Standards Review Board (ASRB) announced that New Zealand International Financial Reporting Standards (NZIFRS) will apply to all New Zealand reporting entities for periods commencing on or after 1 January 2007, with earlier adoption periods commencing on or after 1 January 2005 permitted. The Society intends adopting IFRS in the financial statements for the year ended 30 June 2008.

It is not anticipated that the adoption of NZIFRS will significantly change the nature of the information that is presented in the annual statements, apart from the gain or loss arising from the annual revaluation of Investment Properties being reported in the Statement of Financial Performance rather than being reported as a change in the Investment Property Revaluation Reserve in the Statement of Movements in Equity.

Other changes are expected but are unlikely to be as significant as the item identified above. The information provided in this note is for indicative purposes only.