

## Auditor's Report

To the members of the Royal Society of New Zealand

We have audited the financial statements on pages 80 to 86. The financial statements provide information about the past financial performance and cash flows of the Society for the year ended 30 June 2004 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 82 to 84.

### Responsibilities of the Council

The Society's Council are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Society as at 30 June 2004 and its financial performance and cash flows for the year ended on that date.

### Auditors' Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Council and reporting our opinion to you.

### Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- (a) the significant estimates and judgements made by the Council in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Society, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Society other than in our capacity as auditors.

## Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by the Society as far as appears from our examination of those records; and
- (b) the financial statements on pages 80 to 86:
  - (i) comply with generally accepted accounting practice in New Zealand; and
  - (ii) give a true and fair view of the financial position of the Society as at 30 June 2004 and its financial performance and cash flows for the year ended on that date.

Our audit was completed on 2 September 2004 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink, appearing to read "P. J. ...", written over a horizontal line.

Chartered Accountants Wellington

## Royal Society of New Zealand Councillors' Responsibility Statement

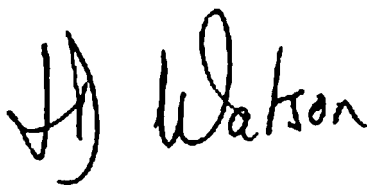
The councillors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Society as at 30 June 2004 and its financial performance and cash flows for the 12 months ended on that date.

The Councillors consider that the financial statements of the Society have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The Councillors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Society and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The Councillors consider they have taken adequate steps to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

For and on behalf of the Council.

A handwritten signature in black ink, consisting of a stylized monogram 'JW' followed by the name 'Watson' in a cursive script.

Dr Jim Watson FRSNZ

President of The Royal Society of New Zealand

2 September 2004

**Royal Society of New Zealand  
Statement of Financial Performance  
for the year ended 30 June 2004**

	<b>2004</b>	<b>2003</b>
<i>Income</i>		
Society membership	190,189	182,400
Income from products and services	4,325,295	4,415,024
Sponsorship and donations	471,508	406,103
Investment property	153,748	128,200
Interest	180,305	168,750
<b>Total income</b>	<b>5,321,045</b>	<b>5,300,477</b>
<i>Expenditure</i>		
Audit fees	24,000	24,000
Depreciation – furniture and equipment	38,988	28,128
Depreciation – computer equipment	53,224	47,756
Depreciation – buildings	27,429	27,429
Operating	2,407,881	2,442,143
Personnel	2,434,976	2,101,385
<b>Total expenditure</b>	<b>4,986,498</b>	<b>4,670,841</b>
<b>Net surplus</b>	<b>334,547</b>	<b>629,636</b>

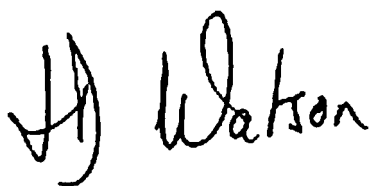
**Statement of Movements in Equity  
for the year ended 30 June 2004**

	<b>Note</b>	<b>2004</b>	<b>2003</b>
<i>The opening equity is made up as follows:</i>			
Accumulated funds		1,622,401	1,622,401
Property revaluation reserve		1,624,796	1,624,796
Investment property revaluation reserve		1,318,944	1,153,944
Designated purpose funds		2,043,628	1,413,992
<b>Total opening equity</b>		<b>6,609,769</b>	<b>5,815,133</b>
Net surplus for the year		334,547	629,636
Revaluation of property		777,685	-
Revaluation of investment property		490,000	165,000
<b>Equity at the end of the year</b>		<b>8,212,001</b>	<b>6,609,769</b>
<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	2,402,481	1,624,796
Investment property revaluation reserve	3	1,808,944	1,318,944
Designated purpose funds	4	2,378,175	2,043,628
<b>Total equity at the end of the year</b>		<b>8,212,001</b>	<b>6,609,769</b>

**Statement of Financial Position  
as at 30 June 2004**

	Note	2004	2003
<i>Current assets</i>			
Cash and bank current accounts	5	72,205	9,877
Bank treasury call accounts	5	3,820,956	3,195,197
Bank USD account	5	–	35,045
Accounts receivable	6	295,752	369,060
Prepayments		48,246	73,770
Stock		5,000	5,000
<i>Total current assets</i>		<u>4,242,159</u>	<u>3,687,949</u>
<i>Non-current assets</i>			
Property, plant and equipment	7	2,869,090	2,113,155
Investment properties	8	2,460,000	1,970,000
<i>Total non-current assets</i>		<u>5,329,090</u>	<u>4,083,155</u>
<i>Total assets</i>		<u>9,571,249</u>	<u>7,771,104</u>
<i>Current liabilities</i>			
Accounts payable and accrued expenses		638,603	318,499
Income in advance		468,174	627,412
Employee entitlements		252,471	215,424
<i>Total liabilities</i>		<u>1,359,248</u>	<u>1,161,335</u>
<b>Net assets</b>		<u><b>8,212,001</b></u>	<u><b>6,609,769</b></u>
<b>Equity</b>		<u><b>8,212,001</b></u>	<u><b>6,609,769</b></u>

The Council of the Royal Society of New Zealand authorised these financial statements for issue on 9th September 2004.



**Dr Jim Watson FRSNZ**  
President



**Dr Steve Thompson**  
Chief Executive Officer

**Statement of Cash Flows  
for the year ended 30 June 2004**

	Note	2004	2003
<i>Cash flows from operating activities</i>			
<i>Cash was provided from:</i>			
Interest		180,305	168,750
Other income		5,054,810	5,026,635
<i>Cash was applied to:</i>			
Expenses		4,469,666	4,780,853
<i>Net cash inflow from operating activities</i>	9	765,449	414,532
<i>Cash flows from investing activities</i>			
<i>Cash was applied to:</i>			
Purchase of property plant and equipment		112,407	103,918
<i>Net cash outflow from investing activities</i>		(112,407)	(103,918)
Net increase (decrease) in cash held		653,042	310,614
Cash balance at the beginning of the year		3,240,119	2,929,505
<b>Cash balance at the end of the year</b>	5	<b>3,893,161</b>	<b>3,240,119</b>

**Notes to the Financial Statements  
for the year ended 30 June 2004**

**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 councilors 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 seven contestable funds on behalf of government and the purchase of outputs by government. The contestable funds moneys 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.

### **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.

### **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 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
Computer (pre 1999) & Office Equipment	5 years
Computer Equipment (since 1 January 1999)	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, a bank USD account,

accounts receivable and accounts payable. Revenue and expenses in relation to financial instruments are recognised in the Statement of Financial Performance. Financial instruments are recognised at their fair value.

Credit risk is minimised through banking and making treasury investments only with New Zealand registered banks. 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. Interest rate risk is minimal as the Society makes short term investments.

### 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

	2004	2003
Opening accumulated funds	1,622,401	1,622,401
Surplus for the year	248,281	561,933
Transfer to designated funds	(248,281)	(561,933)
Closing accumulated funds	<u>1,622,401</u>	<u>1,622,401</u>

## Note 3. Revaluation reserves

	2004	2003
<b>Property revaluation reserve</b>		
Opening property revaluation reserve	1,624,796	1,624,796
Revaluation during the year	777,685	-
Closing property revaluation reserve	<u>2,402,481</u>	<u>1,624,796</u>

	2004	2003
<b>Investment property revaluation reserve</b>		
Opening investment property revaluation reserve	1,318,944	1,153,944
Revaluation during the year	490,000	165,000
Closing investment property revaluation reserve	<u>1,808,944</u>	<u>1,318,944</u>

## Note 4. Designated purpose funds

	2004	2003
Opening balance	2,043,628	1,413,992
Surplus for the year	86,266	67,703
Transfers from accumulated funds	248,281	561,933
	<u>2,378,175</u>	<u>2,043,628</u>

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 continue existing Society awards. The balance of this fund at 30 June 04 was \$2,253,543. The funds are held in separate bank accounts. The income and expenditure relating to the designated funds is included in the Statement of Financial Performance.



## Note 5. Bank accounts

	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2003</b>
	Fair value	Interest rate	Fair value	Interest rate
Cash	500	-	500	-
Current accounts	71,705	0.25%	9,377	1.00%
Treasury call accounts	3,820,956	5.65%	3,195,197	5.04%
USD account	-	-	35,045	0.28%
	<u>3,893,161</u>		<u>3,240,119</u>	

All the bank balances are held with a single counterparty (the Bank of New Zealand) and have an interest repricing period of less than one year. The Society has a \$100,000 facility by way of BNZ Business Visa.

## Note 6. Accounts receivable

	<b>2004</b>	<b>2003</b>
Gross Accounts Receivable	301,252	369,060
Provision for Doubtful Debts	(5,500)	-
Net Accounts Receivable	<u>295,752</u>	<u>369,060</u>

## Note 7. Property, plant and equipment

	Gross	Accumulated	Book value	Gross	Accumulated	Book value
	<b>2004</b>	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2003</b>	<b>2003</b>
<b>At cost</b>						
Furniture and equipment	424,931	272,472	152,459	402,896	239,794	163,102
Computer equipment	416,881	320,250	96,631	341,026	260,717	80,309
	<u>841,812</u>	<u>592,722</u>	<u>249,090</u>	<u>743,922</u>	<u>500,511</u>	<u>243,411</u>
<b>At valuation</b>						
Land	1,845,000	-	1,845,000	1,025,950	-	1,025,950
Buildings	775,000	-	775,000	918,910	75,116	843,794
	<u>2,620,000</u>	<u>-</u>	<u>2,620,000</u>	<u>1,944,860</u>	<u>75,116</u>	<u>1,869,744</u>
	<u>3,461,812</u>	<u>592,722</u>	<u>2,869,090</u>	<u>2,688,782</u>	<u>575,627</u>	<u>2,113,155</u>

The Society's freehold land and buildings are stated at their 30 June 2004 valuation as determined by an independent registered valuer, TelferYoung.

## Note 8. Investment properties

	<b>2004</b>	<b>2003</b>
Land	2,388,000	1,880,000
Buildings	72,000	90,000
	<u>2,460,000</u>	<u>1,970,000</u>

The Society's investment properties are stated at their 30 June 2004 valuation as determined by an independent registered valuer, TelferYoung.

## Note 9. Reconciliation of net cash flow from operating activities with net surplus

	<b>2004</b>	<b>2003</b>
Net Surplus per Statement of Financial Performance	334,547	629,636
<b>Add non-cash Item</b>		
Depreciation	119,641	103,313
<b>Add (deduct) movements in working capital items:</b>		
Decrease/ (Increase) in accounts receivable	73,308	(47,732)
Decrease/(Increase) in prepayments	25,524	39,580
Decrease/(Increase) in stock	-	38,874
(Decrease)/Increase in accounts payable and accrued expenses	334,620	(309,657)
(Decrease)/Increase in income in advance	(159,238)	(62,664)
(Decrease)/Increase in employee entitlements	37,047	23,182
<i>Net cash inflow from operating activities</i>	<u>765,449</u>	<u>414,532</u>

## Note 10. Contestable funds

	<b>2004</b>	<b>2003</b>
Opening contestable funds	9,403,270	6,905,321
Contestable funds received	48,572,194	55,239,682
Interest earned	372,235	392,230
Contestable funds paid out	<u>(49,992,745)</u>	<u>(53,133,963)</u>
Closing contestable funds	<u>8,354,954</u>	<u>9,403,270</u>

The Society manages eight contestable funds on behalf of government. The fund moneys 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 moneys is not vested in the Society.

This note serves to highlight the significant funding administered by the Society.

## Note 11. Commitments

There were no capital commitments at either 30 June 2004 or 30 June 2003.

Operating lease commitments at 30 June 2004 are \$34,373. (\$964 at 30 June 2003)

## Note 12. Contingent liabilities

There were no contingent liabilities at either 30 June 2004 or 30 June 2003.