



The Royal Academy
of Engineering

Financial Report and Accounts

For the year ended 31 March 2005

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Honorary Treasurer's Statement



DONATIONS

The main feature of the accounts this year is the increase in funding which has been given to The Academy to add to the capital base. The additional capital funding has come from two main sources. Firstly, the ERA Foundation made a very generous donation to The Academy of £8 million. The additional investment income that this sum will generate amounts to about £360,000 per annum and will fund a suite of new programmes entirely aligned with the objectives of The Academy, mainly in the areas of research and education, which are sympathetic to the electotechnological roots of the ERA Foundation. Secondly, a new fundraising campaign was begun during the year among the Fellowship. The aim of the campaign is to help The Academy meet the challenges of the next decade and to reduce its dependence on external funding. This includes the need for a much more substantial and available Building Fund. The amount raised during the year amounted to £250,000 in cash/tax refunds plus £23,000 in shares. Future pledges, so far, amount to £115,000.

RESULTS FOR THE YEAR

If the effects of donations are excluded, then other income increased by £1.3 million to £9.2 million. The Office of Science and Technology increased Grant-in-Aid by 6% to £5.6 million. The Gatsby Charitable Foundation provided funding of £1.3 million for the Best Programme, this included foundation funding in support of the Best

business plan in respect of the costs of a new Best Programme Director and Development Director. Other major sources of funding came from EPSRC (£0.5 million) in support of the Postdoctoral Research Fellowship Programme, and the Vodafone Group Foundation (£0.2 million) in support of Senior Visiting Fellowships in Communications.

Direct expenditure (excluding grants payable), management and administration costs increased by 4% over the previous year to £3,115,000. The increase was due to general salary growth which averaged 4%, additional recruitment and employment costs of the new Best programme Director, and consultancy fees associated with the strategic planning exercise. A further cause of the increase was the absence of VAT recovery, where there had been recovery in the previous year. Accommodation cost fell by 11% to £798,000 largely due to the five yearly external building repair and redecoration work which occurred in the prior year. If the capital donations referred to above are excluded, the result for the year was an operating surplus before investment gains of £102,000. However the surplus includes £101,000 of net income attributable to the ERAF donation which is carried forward for programmes established towards the end of the 2004/05 financial year, making the effective operating surplus just £1,000.

INVESTMENTS

The stock market maintained a strong growth throughout most of the year, and realised and unrealised gains in the investment portfolios totalled over £2 million. The additional donations came mainly in the second half of the year and so there was not a full year effect, even so investment income increased by 52% to £0.6 million. In considering the investment of the £8

million donation received from the ERA Foundation, the Finance and Audit Committee were of the opinion that the risk profile of the General Fund Portfolio should be lowered from that of 100% equity investments. Consequently the investment managers were instructed to invest £4 million of the ERA Foundation donation in high quality fixed interest bonds. This had the effect of reducing the proportion of equities in the General Fund from 100% to 75%. The Building Fund Portfolio remains almost entirely invested in equities.

FINANCE AND AUDIT COMMITTEE

The Committee met four times during the year plus a special year-end review meeting with the auditors. Apart from its regular financial work, the Committee has reviewed the funding of the Best Programme; funding of Ingenia; the operation of control procedures in the production of Academy policy statements; and the implementation of the IT strategy.

PENSION FUND

These accounts have been prepared in compliance with the transitional rules of financial reporting standard FRS17 (Retirement Benefits). FRS17 requires an actuarial estimate to be made of The Academy's pension fund and for this to be declared in the accounts. An actuarial valuation was conducted on 1 January 2003 and the Scheme actuary has updated this valuation in order to assess the liabilities of the Scheme at 31 March 2005. The deficit in the Scheme at 31 March 2005 has been reduced by £20,000 to £835,000 compared with the previous year. The estimate of the values of the assets and liabilities of the final salary scheme (closed to new members since 1 January 2000) is given in Note 9(b) to these accounts.

Signed on behalf of Finance and Audit Committee 12 May 2005

F C Price FEng, Honorary Treasurer

Report of Council

Name and Registered Office

The Royal Academy of Engineering is a registered charity No. 293074.
It is a corporate body governed by Royal Charter.
The registered office is 29 Great Peter Street, London SW1P 3LW.

Officers, Council Members, Principal Executives, Members of Finance and Audit Committee and Professional Advisers

OFFICERS	President	Lord Broers FEng FRS
	Immediate Past President (ex officio)	Sir David Davies CBE FEng FRS
	Senior Vice President	Sir Duncan Michael FEng
	Vice Presidents	Mr G A Campbell FEng (until 7.7.04) Professor W R Eatock Taylor (from 7.7.04) Dr S E Ion OBE FEng Mr P C Ruffles CBE RDI FEng FRS Mr P Saraga OBE FEng Dr R S Steedman FEng Sir Peter Williams CBE FEng FRS
	Honorary Treasurer	Mr F C Price FEng
	Hon Secretary for International Activities	Mr P Saraga OBE FEng
	Hon Secretary for Education & Training	Dr J E King CBE FEng
	Chairman, Engineering Policy Committee	Mr P C Ruffles CBE RDI FEng FRS
	Chairman, Research Secondments Committee	Professor W R Eatock Taylor FEng
ORDINARY COUNCIL MEMBERS	Mr R Benaim FEng (from 7.7.04) Sir Richard Brook OBE (until 7.7.04) Mr M J Earwicker FEng Professor D Fisk CB FEng Sir Peter Gershon CBE FEng Dr K W Gray CBE FEng (until 7.7.04) Professor W Hall CBE FEng Mr N D Haste OBE FEng Professor J D Perkins FEng (from 7.7.04)	Professor D I A Poll OBE FEng (from 7.7.04) Sir Martin Sweeting OBE FEng FRS (from 7.7.04) Professor C M Taylor FEng Sir John Taylor OBE FEng FRS (from 7.7.04) Mr T Truman OBE FEng (until 7.7.04) Professor P N T Wells FEng FRS (until 7.7.04) Mr J P Weston CBE FEng Professor R A Williams FEng

EX OFFICIO COUNCIL MEMBER	Chairman, Membership Committee	Dr J R Forrest CBE FREng
PRINCIPAL EXECUTIVES	Chief Executive Director, Engineering Affairs Director, Education Affairs Director, Best Programme Director, Communications Director, Development Director, Finance and Administration	Mr P D Greenish CBE Mr K Davis Dr R W Ditchfield Dr M Harrison Mr T McLaughlan Ms S Philbrick Mr A Thomas
MEMBERS OF FINANCE AND AUDIT COMMITTEE	Chairman and Honorary Treasurer	Mr F C Price FREng*
COMMITTEE MEMBERS	Mr C V Betts CB FREng Mr P K Blair OBE FREng (until 7.7.04) Mr M J Earwicker FREng*	Professor R W E Shannon CBE FREng* Professor P N T Wells FREng FRS* (from 7.7.04)
* Denotes current or former members of Council		
PROFESSIONAL ADVISERS	Bankers	National Westminster Bank plc Charing Cross, London Branch P O Box 113, Cavell House 2a Charing Cross Road London WC2H 0NN
	Solicitors	Bristows 3 Lincoln's Inn Fields London WC2A 3BP
	Auditors	PKF Farringdon Place 20 Farringdon Road London EC1M 3AP
	Investment Advisers	OLIM Limited Pollen House 10/12 Cork Street London W1X 1PD
	Property Advisers	HMC 10 Savile Row London W1S 3PF

Report of Council

Elections to Council

Council members are elected for a term of three years. Five ordinary members of Council are elected by a postal ballot of Fellows each year. The candidates for election are divided into five engineering discipline groups, namely civil, electrical, IT, mechanical and process. One candidate from each discipline group is elected. Council elects its officers from a list of candidates proposed by the Council Nominations Committee. The President is elected for a term of five years and the other officers for a term of three years. The immediate Past President also serves on Council for five years.

Strategic Priorities

The Royal Academy of Engineering is the national academy of engineering for the United Kingdom and covers all disciplines of engineering. The Academy's mission is the pursuit, encouragement and maintenance of excellence in the whole field of engineering, in order to promote the science, art and practice of engineering for the benefit of the public. The Academy's three strategic priorities are:

- **Enhancing National Capabilities** – Encourage, support and facilitate links between academia and industry. Enhance the UK's performance in the application of science, technology transfer and the promotion and exploitation of innovation. Support high quality engineering research, encourage an interdisciplinary ethos, facilitate international exchange and provide a means of determining and disseminating best practice. Focus on complex and multidisciplinary areas of rapid development where the Academy can make the greatest impact.
- **Recognising Excellence and Inspiring the Next Generation** – Celebrate engineering excellence and use it to inspire, support and challenge tomorrow's engineering leaders. Focus initiatives on developing excellence and demonstrating to the young and those who influence them the relevance of engineering to society.
- **Leading Debate** – Use the leadership and expertise of the Fellowship in order to guide informed thinking, influence public policy making, provide a forum for the mutual exchange of ideas and pursue effective engagement with society on matters within the Academy's competence. Advocate progressive, forward-looking solutions based on impartial advice and quality foundations, and work to enhance appreciation

of the positive role of engineering and its contribution to the economic strength of the nation.

Organisation

Council meets four times per year and is responsible for the governance of The Academy. At these meetings Council discusses policy issues and matters referred to it by the Standing Committees for Finance and Audit, Research and Secondment Schemes, Engineering Policy, Education & Training, International, Membership and Awards, most of which also meet four times per year. The majority of Academy activities are controlled by committees composed of Fellows.

Investment Powers

The Royal Charter gives The Academy unrestricted powers of investment of its reserve funds.

Review of Activities during the Year

Details of activities are given in the Annual Review 2004/05 which is published simultaneously as a separate document. The results of activities during the year may be summarised as follows:

- At the AGM on 7 July 2004, 37 new Fellows, 3 Honorary Fellows and 2 Foreign Members were elected.
- 11 events were held during the year comprising public lectures, major conferences, technical briefings and other events.
- The Royal Academy of Engineering Prince Philip Medal was awarded to Professor William Bonfield CBE FEng FRS.
- The President's Medal was awarded to Mr James Eyre OBE; The Sir Frank Whittle Medal was awarded to Professor Ian Young OBE FEng FRS; 4 Silver Medals were awarded to Mr Stephen Brown, Mr Jonathan Holt, Mr Stuart Moran and Professor Christopher Snowden FEng; The Medal for the Public Promotion of Engineering was awarded to Ms Kate Bellingham.
- The MacRobert Award for Engineering Innovation for 2004 was won by the WebSphere development team at IBM's Hursley Laboratory for providing a failsafe means of exchanging business critical information over computer networks.
- The Academy provided written responses and advice on 12 issues to Parliamentary, Government and other national bodies on a range of engineering topics.

- The Academy continued to work and liaise closely with a number of related bodies including:
 - The Royal Society
 - The Academy of Medical Sciences
 - The Royal Society of Edinburgh
 - The Research Councils (particularly the Engineering and Physical Sciences Research Council)
 - Council of Academies of Engineering and Technological Sciences (CAETS) and the European Council of Applied Sciences and Engineering (Euro-CASE)
 - The Engineering and Technology Board (ETB) and the Engineering Council UK
- Studies and initiatives completed or underway include or relate to:
 - Risk
 - Ethics and engineering
 - Nanotechnology
 - Energy
 - Challenges of Complex IT projects
 - International Review of Engineering Research
 - Measuring research quality in engineering disciplines
 - Transport 2050
 - Impact of Data Management on the public
 - Systems Biology (with the Academy of Medical Sciences)
- The Office of Science and Technology provided funds totalling £5.6 million to support a number of programmes in the area of engineering research. Activities funded by Parliamentary Grant-in-Aid were as follows:
 - Personal Research Chairs – 22 in post
 - Senior Research Fellowships – 11 in post (including 7 funded by the Leverhulme Trust)
 - Global Research Awards – 15 awards
 - Postdoctoral Research Fellowships – 36 in post
 - Industrial Secondment Scheme – 15 awards
 - Visiting Professorships in the Principles of Engineering Design – 124 in post
 - Visiting Professorships in Engineering Design for Sustainable Development – 26 in post
 - Visiting Professorships in Integrated System Design – 6 in post
 - International Travel Grants – 702 awards
 - Engineering Professional Development Awards – 52 awards involving 2,595 engineers
- The Gatsby Charitable Foundation provided funds totalling £1.3 million to support a range of schemes within the Best Engineering Education Programme. Activities in the programme were as follows:
 - Engineering Education Scheme – 1,340 school students participated
 - Headstart – 983 sixth form students participated at 26 universities
 - Undergraduate Programme – 1,790 students participated
 - Engineering Leadership Awards – 26 awards
 - Sainsbury Management Fellowships in Engineering – 11 awards
 - Sainsbury Management Fellowships in the Life Sciences – 6 awards
- The activities in programmes funded by other organisations were:
 - ExxonMobil Engineering Teaching Fellowships – 6 awards
 - Panasonic Trust Awards for study on masters' courses related to the environment – 62 awards
 - Panasonic Trust Fellowships in environmental technology – 6 awards.
 - Sir Angus Paton Bursary – 1 award
 - Executive Engineers Programme – 35 graduate engineers participated
 - Vodafone Group Foundation Senior Visiting Fellowships in Communications – 25 Fellowships awarded

Internal Control

Finance and Audit Committee is mandated by and reports to Council on the following issues:

- Setting a budget prior to each financial year;
- Appointing and monitoring the performance of independent investment advisers;
- Approving authorised signatories and setting limits on delegated financial authorities;
- Monitoring actual financial performance against budget;
- Reviewing The Academy's risk assessment twice per year;
- Conducting such internal reviews as it shall see fit;
- Ensuring that accounting rules are followed and that an independent audit is conducted.

Detailed management accounts are prepared monthly within five working days of the month end. Full sets of accounts are submitted quarterly to Finance and Audit Committee and summarised accounts are submitted quarterly to Council. Day to day control is the responsibility of the Chief Executive assisted by the Directors' Committee which meets weekly.

Reserves Policy

Finance and Audit Committee has considered the level of reserves as part of the twice yearly risk assessment review procedure. The Committee has concluded that the required level of reserves is such as would enable The Academy to

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continue as a going concern in the event of a major reduction in income from existing sources. The Committee also took into account the receipt of the £8 million donation from the ERA Foundation which was added to the capital base of The Academy in order to fund a range of new programmes. Council, taking into account the recommendation of the Committee, has agreed the following reserves policy:

The Academy should maintain a minimum level of free reserves of £8 million and should achieve a maximum level of reserves of £20 million at 2005 prices within ten years.

The reserves policy will continue to be monitored and reviewed by Finance and Audit Committee who would forward recommendations to Council should any amendments be required to the policy.

The free reserves of The Academy are made up as follows:

Year ended 31 March	2005 £000	2004 £000
Total funds per Balance Sheet	17,162	6,785
Deduct:		
Tangible Fixed Assets	Note 10 98	75
Restricted Funds	Note 16 111	114
Designated Special Funds	Note 16 263	239
Designated Building Fund	Note 16 2,023	1,385
Designated RAEng MacRobert Award Fund	Note 16 1,316	1,303
Free Reserves	<u>13,351</u>	<u>3,669</u>

The specific uses and needs of the Restricted and Designated Funds are detailed separately in the notes to the accounts referred to above.

The Academy's reserves are available and adequate to fulfil the current obligations of The Academy.

Review of Transactions for the Year

The financial statements are presented in the format required by the Charity Commission's revised Statement of Recommended Practice published in October 2000 (SORP 2000). The Statement of Financial Activities shows the gross income from all sources and the split of activity between restricted and unrestricted funds. Total incoming resources for the year were £17.6 million which included an exceptional donation from the ERA Foundation

(see below). Total income, excluding the ERA Foundation donation, increased by 20% over the previous year.

DONATIONS

During the year The Academy received a very generous donation of £8 million from the ERA Foundation for which The Academy is extremely grateful. A fundraising campaign was begun during the year. The first phase of the campaign sought to secure funds from the Fellowship; cash and tax refunds received in the year to 31 March 2005 totalled £250,000. Total income from donations during the year was £8.4 million and was the largest contribution to funds. Of the total donations received, about £8.3 million has been transferred to the capital base of The Academy.

GRANT-IN-AID

The Academy is grateful to the Office of Science and Technology for providing Parliamentary Grant-in-Aid to support activities aimed at promoting engineering research in the UK. Grant-in-Aid at £5.6 million was the second largest contribution to funds and represented 32% of total incoming resources.

BEST ENGINEERING EDUCATION PROGRAMME

The Academy's Best Engineering Education Programme aims to improve engineering education from school through to postgraduate professional development. During the year, a new appointment of Best Programme Director was made with the objective of expanding and developing the Programme in line with the Best Business Plan. The aims of the business plan are to expand the Programme and to provide greater co-ordination of the management of the activities contained within it. The Best Programme is supported extensively by the Gatsby Charitable Foundation to whom The Academy is very grateful. Gatsby contributed funds during the year of £1.3 million or 7% of total incoming resources.

OTHER INCOME

Other major sources of income during the year were: investment, rental, subscription and facilities hire income at £1.1 million (6% of total incoming resources); and other grants, contracts and events at £1.2 million (7% of total).

DIRECT CHARITABLE EXPENDITURE

Direct charitable expenditure was £8.7 million during the year or 94% of total resources expended. Of this total, £6.0 million represented direct grants paid under various programmes and £2.7 million represented the direct costs of operating those programmes. Central

management and administration costs amounted to £0.3 million or 4% of total direct charitable expenditure.

COST OF GENERATING FUNDS

The cost of generating funds consists of fees paid to investment managers and the staff costs and expenses associated with fundraising and the promotional costs of the Best Programme. These costs totalled £0.2 million or 2% of total resources expended.

INVESTMENTS

Investment assets are divided into two portfolios. The first is the General Fund Portfolio with the objective of generating income whilst preserving the capital value of the fund in real terms. During the year the General Fund generated £403,000 of income with realised gains of £167,000 and unrealised gains of £1,528,000. Over the year the value of the General Fund (after allowing for new capital) increased by 18% compared with an increase in the benchmark FTSE All Share (Capital Only) Index of 12%.

The second portfolio is the Building Fund Portfolio, founded on the individual donations of Fellows. The objective of the Building Fund is to act as a source of finance for the provision and enhancement of a headquarters building for The Academy. All income to this fund is reinvested. During the year the portfolio generated £59,000 of income for reinvestment; there were realised gains of £37,000 and unrealised gains of £292,000. Over the year the value of the Building Fund increased by 25% compared with an increase in the benchmark FTSE All Share Index of 16%.

FIXED ASSETS

Capital expenditure during the year amounted to £72,000, of which 73% was spent on the IT network and 27% on other equipment and furniture. The PCs comprising the entire IT network were replaced during the year as well as three file servers supporting the network.

Report of Council

Recipients of Academy Grants

The Academy made over 1,200 grants and awards to organisations and individuals in 2004/05 totalling £6.0 million. The first 50 organisations, in order of the total amount of cash paid to recipients, are listed below.

Amounts in £		Research ¹	Visiting Profs ²	Industrial Sec'mnts	Travel Grants	Educ'n ³	EPDA ⁴	Total
1	Imperial College London	220,653	1,000	-	19,600	-	-	241,253
2	Engineering Development Trust	-	-	-	-	201,851	-	201,851
3	Sheffield University	135,584	21,000	-	14,200	-	-	170,784
4	Southampton University	142,817	1,000	-	17,100	-	-	160,917
5	Cambridge University	117,738	1,000	-	14,000	-	-	132,738
6	Bristol University	88,944	18,900	11,400	3,300	-	-	122,544
7	Smallpeice Trust	-	-	-	-	110,000	-	110,000
8	Queens University Belfast	78,113	22,000	-	5,100	-	-	105,213
9	Loughborough University	95,469	1,000	-	7,100	-	-	103,569
10	Young Engineers	-	-	-	-	103,000	-	103,000
11	University College London	59,626	20,000	9,500	7,500	-	-	96,626
12	Leeds University	54,397	21,000	12,335	5,900	-	-	93,632
13	Edinburgh University	39,435	33,000	-	7,000	-	-	79,435
14	Liverpool University	66,986	1,000	-	6,200	-	-	74,186
15	London Business School	-	-	-	-	63,000	-	63,000
16	Cardiff University	34,018	21,000	-	3,700	-	-	58,718
17	Brunel University	28,592	21,000	-	7,000	-	-	56,592
18	Glasgow University	-	21,000	25,700	9,500	-	-	56,200
19	Strathclyde University	15,656	21,000	8,800	8,300	-	-	53,756
20	Cranfield University	34,682	5,000	-	13,700	-	-	53,382
21	IMD (Switzerland)	-	-	-	-	48,246	-	48,246
22	Birmingham University	-	29,500	3,983	10,800	-	-	44,283
23	Oxford University	26,904	1,000	11,750	4,100	-	-	43,754
24	Heriot-Watt University	27,878	1,000	9,000	5,200	-	-	43,078
25	Bradford University	-	21,000	-	11,900	-	-	32,900
26	Bath University	-	21,000	-	11,200	-	-	32,200
27	INSEAD (France)	-	-	-	-	31,286	-	31,286
28	Surrey University	19,511	1,000	-	7,700	-	-	28,211
29	IE (Spain)	-	-	-	-	26,357	-	26,357
30	Glasgow Caledonian University	-	-	23,435	1,100	-	-	24,535
31	UMIST	-	20,000	-	4,300	-	-	24,300
32	York University	5,700	-	15,000	2,800	-	-	23,500
33	Harvard University (USA)	-	-	-	-	23,229	-	23,229
34	Bournemouth University	-	17,500	3,900	1,200	-	-	22,600
35	Manchester University	19,108	1,000	-	2,100	-	-	22,208
36	Wharton University (USA)	-	-	-	-	21,575	-	21,575
37	Sheffield Hallam University	-	20,000	-	1,300	-	-	21,300
38	City University	-	21,000	-	-	-	-	21,000
39	IESE (Spain)	-	-	-	-	20,214	-	20,214
40	Ulster University	-	17,500	-	2,000	-	-	19,500
41	UC Berkley (USA)	-	-	-	-	19,111	-	19,111
42	St Andrews University	18,418	-	-	-	-	-	18,418
43	Dundee University	9,409	1,000	-	1,600	-	-	12,009
44	Queen Mary College London	2,405	1,000	-	8,600	-	-	12,005
45	Sunderland University	-	-	12,000	-	-	-	12,000

Amounts in £	Research ¹	Visiting Profs ²	Industrial Sec'mnts	Travel Grants	Educ'n ³	EPDA ⁴	Total
46 Aston University	-	8,500	-	2,500	-	-	11,000
47 Nottingham University	-	1,000	-	9,000	-	-	10,000
48 Bentley Motors Ltd	-	-	-	-	-	8,000	8,000
49 James Howden & Co Ltd	-	-	-	-	-	8,000	8,000
50 Grimley Smith Associates Ltd	-	-	-	-	-	7,000	7,000

Notes:

1. Research comprises Personal Research Chairs, Senior Research Fellowships, Postdoctoral Research Fellowships and Global Research Awards.
2. Visiting Professorships are awarded in the Principles of Engineering Design; Design for Sustainable Development; and Integrated System Design.
3. Education comprises funding for the Engineering Education Scheme, the Year in Industry Scheme, the Headstart Scheme and the Sainsbury Management Fellowship Scheme.
4. EPDA stands for the Engineering Professional Development Award Scheme

Risk Assessment

The major risks to which The Academy is perceived to be exposed have been identified and mechanisms are in place to mitigate and monitor those risks. As part of this process, the Chief Executive reports to Finance and Audit Committee twice per year on the status of perceived risks and the actions taken or about to be taken to reduce the risks of greatest concern.

Ethnic and Gender Monitoring

The Academy's policy of ethnic and gender monitoring is aimed at ensuring that, as far as possible, equality of opportunity is achieved in: the election of Fellows; the allocation of funds for research grants and other awards; and in the appointment of staff. The following table is a summary of more detailed data which has been collected by The Academy for this purpose.

	Fellowship %	Recipients of Grants/Awards %	Staff %
Gender			
Male	98	79	53
Female	2	21	47
Ethnicity¹			
White	98	72	87
Mixed ²	*	2	-
Asian/Asian British	1	9	9
Black/Black British	-	2	4
Chinese/Other Ethnic Group	1	15	-

Note:

1. The ethnic groups used are those used in the 2001 Census of the UK population and are groupings approved by the Commission for Racial Equality
2. * indicates that the figure is less than 0.5%

Statement of Council's Responsibilities

The Council is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of The Royal Academy of Engineering and of the income and expenditure for that period.

In preparing those financial statements, the Council is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that The Academy will continue its operations.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of The Academy. It is also responsible for safeguarding the assets of The Academy and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Council is also responsible for ensuring that the Report of the Council is prepared in accordance with applicable laws.

Signed under delegated authority on behalf of Council on 12 May 2005

Lord Broers, President
F C Price, Honorary Treasurer

Auditors Report

Independent Auditors' Report to the Members of The Royal Academy of Engineering

We have audited the financial statements of The Royal Academy of Engineering for the year ended 31 March 2005 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Members of The Academy, as a body, in accordance with Regulation 6 of the Charities (Accounts and Reports) Regulations 1995. Our audit work has been undertaken so that we might state to the 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 anyone other than the Members of The Academy, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND AUDITORS

The Council's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Council's Responsibilities. We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the Council's Annual Report is not consistent with the financial statements, if the charity has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Council's Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

The relationship between the Royal Academy of Engineering and the Office of Science and Technology and the terms upon which the Office of Science and Technology provides funds to The Academy are governed by a Financial Memorandum. Our responsibility includes a requirement to report our opinion on whether the funds provided by the Office of Science and Technology have been applied in accordance with this Financial Memorandum.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

- (I) In our opinion the financial statements give a true and fair view of the state of the charity's affairs as at 31 March 2005 and of its incoming resources and application of resources in the year then ended and have been properly prepared in accordance with the Charities Act 1993.
- (II) In our opinion, in all material aspects the income from the Office of Science and Technology has been applied to the purposes intended by Parliament as set out in the Financial Memorandum and the financial transactions conform to the authorities which govern them.

London 12 May 2005
PKF Registered Auditors

Statement of Financial Activities

Statement of Financial Activities

YEAR ENDED 31 MARCH 2005

	Notes	Unrestricted Funds	Restricted Funds	Totals 31 March 2005	Totals 31 March 2004
		£	£	£	£
Incoming Resources					
Activities in Furtherance of Objectives	2	236,550	8,092,345	8,328,895	7,181,103
Activities for Generating Funds	4	918,591	-	918,591	730,903
Donations and Legacies	5	8,318,786	63,650	8,382,436	141,382
Total Incoming Resources		9,473,927	8,155,995	17,629,922	8,053,388
Expenditure					
Direct Charitable Expenditure:					
Grants Payable	6	256,693	5,704,230	5,960,923	4,940,186
- Other Direct Expenditure	7	328,339	2,444,601	2,772,940	2,565,406
- Management and Administration	7,9	342,089	-	342,089	419,737
Cost of Generating Funds	8	201,537	-	201,537	110,061
Total Resources Expended		1,128,658	8,148,831	9,277,489	8,035,390
Net Incoming Resources		8,345,269	7,164	8,352,433	17,998
Net Investment Gains					
Realised Gains on Investments		204,240	-	204,240	32,739
Unrealised Investment Gains	11	1,820,091	-	1,820,091	1,927,759
Total Investment Gains		2,024,331	-	2,024,331	1,960,498
Net Movement in Funds		10,369,600	7,164	10,376,764	1,978,496
Fund Balances Brought Forward 1 April		6,670,549	114,394	6,784,943	4,806,447
Fund Balances Carried Forward 31 March	16,17	17,040,149	121,558	17,161,707	6,784,943

All the above results are derived from continuing activities. There are no gains and losses other than those stated above.

Balance Sheet

Balance Sheet

AT 31 MARCH 2005

	Notes	Year ended 31 March 2005 £	Year ended 31 March 2004 £
Tangible Fixed Assets	10	97,785	75,102
Investments	11	17,564,923	7,708,501
Current Assets			
Debtors	12	603,714	540,283
Stock	13	11,369	19,334
Cash at Bank		2,732,643	1,852,535
Short Term Deposits		427,527	174,923
		3,775,253	2,587,075
Current Liabilities			
Creditors (amounts falling due within one year)	14	4,276,254	3,585,735
Net Current Liabilities		(501,001)	(998,660)
Net Assets		17,161,707	6,784,943
Financed by:			
Restricted Funds	16	121,558	114,394
Unrestricted Funds			
Special Funds	16	262,930	239,171
Building Fund	16	2,022,999	1,384,583
RAEng MacRobert Award Fund	16	1,315,907	1,302,597
General Fund	16	13,438,313	3,744,198
Accumulated Funds		17,161,707	6,784,943

These financial statements were approved by the President and Hon Treasurer under delegated authority from the council.

Signed on behalf of the Council on 12 May 2005

Lord Broers, President
F C Price, Hon Treasurer

Cash Flow Statement

Cash Flow Statement

YEAR ENDED 31 MARCH 2005

	2005 £	2004 £
Reconciliation of Changes in Resources to Net Cash Inflow from Operations		
Net Incoming Resources	8,352,433	17,998
Less Income from Interest and Dividends	(620,584)	(408,198)
Depreciation Net of Disposals	49,704	45,689
(Increase) in Debtors	(63,431)	(140,105)
Increase in Creditors	690,519	459,955
Decrease in stock	7,965	5,582
Net Cash Inflow/(Outflow) from Operating Activities	8,416,606	(19,079)

Cash Flow Statement

Net Cash Inflow/(Outflow) from Operating Activities	8,416,606	(19,079)
Returns on Investments (Note 1)	620,584	408,198
Capital Expenditure and Financial Investment (Note 1)	(7,904,478)	(90,027)
Increase in Cash	1,132,712	299,092

Reconciliation of Net Cash Flow to Movement in Net Cash (note 2)

Increase in Cash in the Period	1,132,712	299,092
Net Cash at 1 April	2,027,459	1,728,387
Net Cash at 31 March	3,160,171	2,027,479

NOTES TO THE CASH FLOW STATEMENT

Note 1 - GROSS CASH FLOWS

Returns on investments		
Dividends Received	433,483	306,843
Interest Received	187,101	89,601
Tax credit transitional relief on investment income	-	11,754
	620,584	408,198

Capital expenditure and financial investment

Purchase of Tangible Fixed Assets	(72,387)	(26,645)
Purchase of Investments	(9,759,467)	(349,341)
Proceeds from Sale of Investments	1,927,376	285,959
	(7,904,478)	(90,027)

Note 2 - ANALYSIS OF CHANGES IN NET CASH

Cash in hand plus bank deposits		
As at 1 April	2,027,459	1,728,367
Cash Flows	1,132,712	299,092
As at 31 March	3,160,171	2,027,459

Notes to the Accounts

Notes to the Accounts For the Year Ended 31 March 2005

NOTE 1 – ACCOUNTING POLICIES

(a) Basis of Accounting

These accounts are prepared under the historical cost convention as modified by the valuation of fixed asset investments to market value, in accordance with applicable accounting standards and comply with the Statement of Recommended Practice issued by the Charity Commissioners for England and Wales in October 2000. The principal accounting policies adopted are described below.

(b) Government Grant-in-Aid

Government grants received are included in the income and expenditure account in the same period to which the expenditure is related.

(c) Grants Payable

Grants payable are accounted for in the period in which they are awarded.

(d) Income

Credit for income, including legacies and donations, is taken when received or when a sales invoice is issued. Investment income is accounted for on receipt. No recognition is taken of accruing investment income other than bank deposit interest and income from fixed interest securities. Membership subscriptions are accounted for on a receivable basis.

(e) Management and Administration Costs

The Academy operates a time ledger system for recording time spent by staff in working on grants, contracts, administrative

and other activities. The apportionment of costs between the various activities is calculated on the basis of time spent on those activities.

(f) Depreciation and Amortisation

Fixed assets are depreciated in equal annual instalments over their estimated useful lives at the following rates:-

Computer equipment 33.3%
Office Fixtures and Fittings 20%

(g) Stocks

Stocks are valued at the lower of cost and net realisable value and include items for resale and medals to be awarded.

(h) Gift Aid

Income has been grossed up to include Gift Aid income tax recoverable.

(i) Investments

Investments are included at market value on the Balance Sheet date. The Academy maintains two separate investment portfolios, a General Fund to produce capital appreciation and income, and a Building Fund to provide capital growth. Income earned by the General Fund and Building Fund Portfolios is credited to Incoming Resources in the Statement of Financial Activities. At the discretion of Council, a portion of the income earned by the General Fund Portfolio is appropriated to the RAEng MacRobert Award Fund and the Special Funds at the year end.

(j) Operating Leases

Rentals paid under operating leases are charged to Resources Expended in the Statement of Financial Activities as incurred. Rental income

from operating leases is recognised on a straight line basis over the period of the lease.

(k) Pensions

Contributions to The Academy's pension scheme are charged to Resources Expended in the Statement of Financial Activities so as to spread the average cost of the pensions over the employees' working lives with The Academy.

(l) Funds

Unrestricted funds, including designated funds, are expendable at the discretion of Council in furtherance of The Academy's objectives. Restricted funds can be spent only in accordance with the donors' specific wishes.

YEAR ENDED 31 MARCH 2005

	Unrestricted Funds	Restricted Funds	Totals 31 March 2005	Totals 31 March 2004
	£	£	£	£
Note 2 – Activities in Furtherance of Objectives				
Grant in Aid 3	-	5,600,000	5,600,000	5,270,000
Engineering Education Programme	-	1,318,229	1,318,229	1,103,582
Other Grants & Awards	11,000	1,174,116	1,185,116	578,715
Conferences & Seminars	77,040	-	77,040	62,549
Subscription Income	146,809	-	146,809	163,336
Academy Internal Events	1,701	-	1,701	2,921
	236,550	8,092,345	8,328,895	7,181,103
Note 3 – Government Grant in Aid				
Grant in Aid was expended on:				
External Projects	-	3,466,000	3,466,000	3,254,000
Cost of Managing External Projects	-	2,134,000	2,134,000	2,016,000
	-	5,600,000	5,600,000	5,270,000
Note 4 – Activities for Generating Funds				
Investment Income:				
Dividends and Investment Income	433,483	-	433,483	306,843
Tax credit transitional relief on investment income	-	-	-	11,754
Interest on Bank Deposits	187,101	-	187,101	89,601
	620,584	-	620,584	408,198
Rental Income	187,500	-	187,500	187,500
Facilities Income	109,266	-	109,266	134,033
Sale of Publications & Ties	1,241	-	1,241	1,172
	918,591	-	918,591	730,903
Note 5 – Donations and Legacies				
ERA Foundation Donation	8,000,000	-	8,000,000	-
Development Appeal 2004	250,404	-	250,404	-
Other Donations	68,382	63,650	132,032	141,382
	8,318,786	63,650	8,382,436	141,382
Note 6 – Grants Payable				
Grant in Aid	-	3,466,000	3,466,000	3,254,000
Other Grants & Awards	256,693	1,170,116	1,426,809	757,604
Engineering Education Programme	-	1,068,114	1,068,114	928,582
	256,693	5,704,230	5,960,923	4,940,186

Notes to the Accounts

	Unrestricted Funds	Restricted Funds	Totals 31 March 2005	Totals 31 March 2004
	£	£	£	£
Note 7 – Other Direct Expenditure and Management and Administration				
(a) Other Direct Expenditure				
Staff Costs	96,913	1,564,919	1,661,832	1,454,634
Accommodation Costs	41,785	674,722	716,507	772,673
Support Costs	12,692	204,960	217,652	177,096
Conferences, Seminars and Other Activity Costs	176,949	-	176,949	161,003
	328,339	2,444,601	2,772,940	2,565,406
(b) Management and Administration				
Staff Costs	188,299	-	188,299	235,774
Accommodation Costs	81,186	-	81,186	125,239
Audit Fees	15,786	-	15,786	17,603
Legal & Professional Fees	32,155	-	32,155	12,417
Support Costs	24,663	-	24,663	28,704
	342,089	-	342,089	419,737
(c) Total Other Direct Expenditure and Management and Administration (a + b)				
Staff Costs	285,212	1,564,919	1,850,131	1,690,408
Accommodation Costs	122,971	674,722	797,693	897,912
Audit Fees	15,786	-	15,786	17,603
Legal & Professional Fees	32,155	-	32,155	12,417
Support Costs	37,355	204,960	242,315	205,800
Conferences, Seminars and Other Activity Costs	176,949	-	176,949	161,003
	670,428	2,444,601	3,115,029	2,985,143
(d) Fees for Other Services Paid to Auditors				
Fees for taxation advice work	3,930	-	3,930	5,266
(The above fees are included with Legal and Professional Fees)				
Note 8 – Cost of Generating Funds				
Fundraising Costs	130,496	-	130,496	66,889
Investment Management Fees	71,041	-	71,041	43,172
	201,537	-	201,537	110,061
Note 9 – Staff and Pensions Costs			2005	2004
			£	£
(a) Staff Costs Analysis (incl. Staff Costs in Note 8)				
Gross Salaries			1,434,457	1,317,498
Employers National Insurance			141,212	128,730
Benefits in Kind			13,210	16,362
Pension Charge			231,913	205,038
Other Staff Costs (inc. Recruitment, Temporary staff)			159,838	89,669
			1,980,630	1,757,297

Note 9 – Staff and Pensions Costs (Continued)

	2005 £	2004 £
Average number of staff in the year by activity:		
- Education Affairs	10	10
- Engineering Affairs	11	10
- Communications and External Affairs	7	6
- Executive and Administration	15	15
	43	41

No remuneration is paid to the President or members of the Council of The Academy. Travelling expenses to attend Council meetings were reimbursed to 6 Council members in 2004/05 amounting to £1,777 (2003/04 £1,677). Travelling expenses to attend other meetings on behalf of The Academy in the UK and overseas were reimbursed to 7 Council members in 2004/05 amounting to £7,817 (2003/04 £7,800). One of the Academy's trustees, Professor David Fisk CB, was appointed to the BP/Royal Academy of Engineering Chair of Sustainable Development at Imperial College on 1 March 2002, prior to his appointment as a trustee of the Academy on 8 July 2003. In the year to 31 March 2005 the Royal Academy of Engineering contributed £33,521 (year to 31 March 2004 £29,163) to Imperial College in respect of its one third share of the cost of the Chair.

The emoluments of higher paid staff within the following scales were:

£50,001 - £60,000 ¹	2	3
£60,001 - £70,000	2	1
£90,001 - £100,000	1	-

Emoluments include salary and benefits in kind but exclude pension scheme contributions.

Note 1: The 2003/04 figure includes one person who was not employed by The Academy for a full year

Note 9(b) – Pensions

The Academy operates a defined benefits pension scheme - The Royal Academy of Engineering Pension and Assurance Scheme - which has been closed to new entrants (except for those covered solely for death in service benefit) since January 2000. The assets of the Scheme are held separately from those of The Academy, being invested in a managed fund operated by Insight Investment Management Limited.

The most recent formal valuation was undertaken as at 1 January 2003 by a qualified actuary. This valuation, based on the Minimum Funding Requirement prescribed by the Pensions Act 1995, showed that the market value of the Scheme's assets was £1,316,000 which represented 66% of the benefits that had accrued to members. In place of the final salary scheme, a Group Personal Pension Scheme has been set up for new members of staff which is based on a fixed contribution from the employer.

For the purpose of providing the disclosures required by Financial Reporting Standard 17, the Scheme actuary has updated the valuation of the Scheme as at 1 January 2003 in order to assess the liabilities of the Scheme at 31 March 2005. The major assumptions used by the Actuary as at 31 March 2005 were as follows:

	At 31 March 2005	At 31 March 2004	At 31 March 2003
Rate of Increase in Salaries	4.25% p.a.	4.5% p.a.	4% p.a.
Limited Price Indexation Pension Increases	2.75% p.a.	3% p.a.	2.5% p.a.
Discount Rate	5.4% p.a.	5.5% p.a.	5.5% p.a.
Inflation Assumption	2.75% p.a.	3% p.a.	2.5% p.a.

Notes to the Accounts

The assets of the Scheme are held in a Managed Fund operated by Insight Investments. The fair value of the assets held and the expected rates of return assumed are as follows:

	2005		Year Ending 31 March 2004		2003	
	Expected Rate of Return	Value £000s	Expected Rate of Return	Value £000s	Expected Rate of Return	Value £000s
Equities & Property	7.2%	1,981	7.3%	1,682	7%	995
Bonds	4.9%	249	5%	245	4.75%	152
Cash	4.75%	186	4%	86	4%	477
Total		2,416		2,013		1,624

In addition, the Scheme holds assets in respect of members' Additional Voluntary Contributions. Such assets are applied on a money purchase basis to provide additional benefits on retirement or earlier death.

	Year Ending 31 March		
	2005 £000s	2004 £000s	2003 £000s

The funding position of the Scheme was as follows:

Total market value of assets	2,416	2,013	1,624
Present value of Scheme liabilities	(3,251)	(2,868)	(2,578)
Deficit in the Scheme	(835)	(855)	(954)

Analysis of actuarial loss:

Actual return less expected return on pension scheme assets	85	192	(483)
Experience gains and losses arising on scheme liabilities	(53)	29	64
Changes in assumptions underlying present value of scheme liabilities	(56)	(68)	(109)
Actuarial (loss)/gain	(24)	153	(528)

Movement in deficit during the year:

Deficit in Scheme at beginning of year	(855)	(954)	(732)
Current service cost	(164)	(158)	(142)
Contributions	227	151	476
Past service costs	Nil	Nil	Nil
Other finance income	(19)	(47)	(28)
Actuarial (loss)/gain	(24)	153	(528)
Deficit in Scheme at end of year	(835)	(855)	(954)

Analysis of the amount to be credited to other finance income:

Expected return on pension scheme assets	144	98	122
Interest on pension scheme liabilities	(163)	(145)	(150)
Net return	(19)	(47)	(28)

	Year Ending 31 March		
	2005	2004	2003
	£000s	£000s	£000s
History of experience gains and losses:			
Difference between expected and actual return on Scheme assets:			
Amount	85	192	(483)
Percentage of Scheme assets	3.5%	9.5%	29.7%
Experience gains and losses on Scheme liabilities:			
Amount	(53)	29	64
Percentage of present value of Scheme liabilities	1.6%	1.0%	2.5%
Total amount recognised in statement of total recognised gains and losses:			
Amount	(24)	153	(528)
Percentage of present value of Scheme liabilities	0.7%	5.3%	20.5%

During the year, The Academy has contributed to the Scheme at the rate of 34.5% of Members' Annual Salaries (less Member contributions) up to 31 December 2004, and then from 1 January 2005 at a rate of 21.0% of Members' Annual Salaries (less Member contributions) plus £88,000 per annum. The latter is the agreed contribution rate for the future, subject to revision at future actuarial valuations. The current service cost will increase as Members of the Scheme approach retirement.

Note 10 - Tangible Fixed Assets

	Computer Equipment	Office Fixtures & Fittings	Leasehold Improvements	Total
	£	£	£	£
Cost				
At 1 April 2004	93,907	110,697	509,790	714,394
Assets Disposed	(36,881)	(5,248)	-	(42,129)
Additions	52,583	19,804	-	72,387
At 31 March 2005	109,609	125,253	509,790	744,652
Depreciation				
At 1 April 2004	72,950	56,552	509,790	639,292
Assets Disposed	(36,881)	(5,248)	-	(42,129)
Charge for Year	27,712	21,992	-	49,704
At 31 March 2005	63,781	73,296	509,790	646,867
Net Book Value				
At 31 March 2005	45,828	51,957	-	97,785
At 31 March 2004	20,957	54,145	-	75,102

Notes to the Accounts

Note 11 – Investments

Investments consist of two portfolios, the objectives of the General Fund Portfolio are to generate income whilst preserving the capital value of the portfolio, the objective of the Building Fund Portfolio is to generate capital growth solely with all income reinvested.

	General Fund £	Building Fund £	Total Portfolios £
Market Value at 1 April 2004	6,401,790	1,306,711	7,708,501
Add Acquisitions at Cost	9,229,414	530,053	9,759,467
Less: Disposals at Book Value	(1,457,445)	(265,691)	(1,723,136)
Net Gain on Revaluation at 31 March 2005	1,527,673	292,418	1,820,091
Market Value at 31 March 2005	15,701,432	1,863,491	17,564,923

All investments consist of securities listed on the London Stock Exchange of which fixed interest bonds amounts to approximately £4 million in value. An individual investment represented more than 5% of the portfolio, this was Treasury Stock 4% 2009 and its value at 31 March 2005 was £1,484,128.

Cost at 31 March 2005	13,256,645	1,389,378	14,646,023
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	2005 £	2004 £
Note 12 – Debtors		
Grants and Sponsorship Receivable	109,811	225,797
Prepayments	250,932	179,021
Other Debtors	242,971	135,465
	603,714	540,283

Note 13 – Stocks

Publications, Academy ties, presentation plates and medals	11,369	19,334
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Note 14 – Creditors (Amounts falling due within one year)

Payments in Advance	98,849	101,709
Committed Grants	3,847,481	3,252,978
Subscriptions in Advance	108,700	99,835
Other Creditors	221,224	131,213
	4,276,254	3,585,735

Note 15 – Future Commitments

Annual Commitments under Operating Leases

Maturing in less than one year (Equipment)	1,220	1,128
Maturing between one and five years (Property and Equipment)	202,318	209,093
Maturing after more than five years (Property)	381,000	381,000
	584,538	591,221

Note 16 - Movements in Reserves

(a) Restricted Funds

The Academy's restricted funds consist of the monies received under grants and contracts to support specific schemes as follows:

- **Office of Science and Technology** provides Grant-in-Aid to fund programmes in the areas of engineering research and promoting the public understanding of engineering.
- **Gatsby Charitable Foundation** provides funds to support the Best Engineering Education Programme.
- **ExxonMobil** provides funds for Engineering Teaching Fellowships which support able young university engineering lecturers.
- **Engineering Leadership Awards** which support promising engineering undergraduates on leadership development programmes are funded by several companies and charitable organisations including: Charter, BAE Systems, Filtronic, Transco, Thames Water, TI Group, MacRobert Trust and 1851 Commission.
- **EPSRC Post Doctoral Research Fellowships** are administered by The Academy and funded jointly by The Academy and the Engineering and Physical Sciences Research Council.
- **Vodafone Group Foundation** funds Senior Visiting Fellowships in Communications
- **Smallpeice Trust** supports science, technology, engineering and mathematics curriculum enrichment activities as part of the Best Programme
- **Young Engineers** supports young engineers clubs as part of the Best Programme
- **Ad Hoc Contracts** are awarded by a number of companies for specific programmes each year.

(b) Designated Funds

SPECIAL FUNDS

The Academy has created a number of Special Funds over the years in order to provide funding for certain designated activities as described below:

The **President's Fund** is used to enable the President to make grants at his discretion.

The **Sir Angus Paton Bequest** Fund is used to provide a bursary for a postgraduate student to undertake a full time MSc course in a subject related to Environmental Engineering.

The **Hinton Bequest Fund** is used to contribute towards the cost of the annual Hinton Lecture.

The **Lloyds Register Fund** is used to establish an annual Royal Academy of Engineering prestige lecture.

The **UK Focus Fund** is used to support the activities of the UK Focus for Biomedical Engineering.

The **Building Maintenance Fund** is used for major items of building repair and redecoration.

The **Additional Presidential Activities Fund** is used to support the President in carrying out the duties of the office.

BUILDING FUND

The Building Fund is used to provide and enhance The Academy's national headquarters building.

RAEng MACROBERT AWARD FUND

The RAEng MacRobert Award Fund is used to support the UK's most prestigious award for Innovation in engineering.

Notes to the Accounts

Note 16 (Continued)

	Balance at 1 April 2004 £	Incoming Resources £	Resources Expended £	Tranfers Between Funds £	Net Investment Gains £	Balance at 31 March 2005 £
Restricted Funds						
Grant-in-Aid	-	5,600,000	(5,600,000)	-	-	-
Gatsby Charitable Foundation	-	1,318,229	(1,318,229)	-	-	-
ExxonMobil Fellowships	72,301	50,000	(46,806)	-	-	75,495
Engineering Leadership Awards	48,356	-	(7,030)	-	-	41,326
EPSRC Postdoctoral Research Fellowships	-	481,866	(481,866)	-	-	-
Vodafone Group Foundation	-	185,000	(185,000)	-	-	-
Smallpeice Trust	-	110,000	(110,000)	-	-	-
Young Engineers	-	103,000	(103,000)	-	-	-
Ad Hoc Awards	(6,263)	307,900	(296,900)	-	-	4,737
Total Restricted Funds	114,394	8,155,995	(8,148,831)	-	-	121,558
Designated Funds						
Special Funds						
The President's Fund	5,767	-	-	400	-	6,167
Sir Angus Paton Bequest	107,529	-	(7,000)	7,219	-	107,748
Hinton Bequest	32,157	-	(6,830)	1,995	-	27,322
Lloyds Register Fund	-	-	(6,126)	6,126	-	-
UK Focus Fund	76,314	2,589	-	5,386	-	84,289
Building Maintenance Fund	7,311	-	-	20,000	-	27,311
Additional Presidential Activities Fund	10,093	-	-	-	-	10,093
Total Special Funds	239,171	2,589	(19,956)	41,126	-	262,930
Building Fund	1,384,583	309,114	-	-	329,302	2,022,999
RAEng MacRobert Award	1,302,597	-	(56,936)	70,246	-	1,315,907
Total Designated Funds	2,926,351	311,703	(76,892)	111,372	329,302	3,601,836
General Fund	3,744,198	9,162,224	(1,051,766)	(111,372)	1,695,029	13,438,313
Total Funds	6,784,943	17,629,922	(9,277,489)	-	2,024,331	17,161,707

Note 17 – Analysis of Net Assets between Funds

	Tangible Fixed Assets £	Investments £	Current Assets £	Current Liabilities £	Total Net Assets £
Restricted Funds:	-	1,411,220	2,557,819	(3,847,481)	121,558
Reserves					
Special Funds	-	262,930	-	-	262,930
Building Fund	-	1,863,491	159,508	-	2,022,999
RAEng MacRobert Award Fund	-	1,315,907	-	-	1,315,907
General Fund	97,785	12,711,375	1,057,926	(428,773)	13,438,313
Total Funds	97,785	17,564,923	3,775,253	(4,276,254)	17,161,707



The Royal Academy of Engineering promotes
excellence in the science, art and practice
of engineering.

Registered charity number 293074

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