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Honorary Treasurer's Statement



There have been several major events during the year which have had a financial impact. On the one hand there has been a large growth in activities, and also the Academy has found a building which will provide both a long term home and will enable us to better fulfil our objectives. On the other hand the long running problem of the deficit on the defined benefit pension scheme has been dealt with.

RESULTS FOR THE YEAR

The total income for the year increased by 40% to £14.1 million from £10.1 million in the previous year. The Office of Science and Innovation increased Grant-in-Aid by 35% to £7.9 million. The Gatsby Charitable Foundation provided £0.9 million in support of the Best Programme. EPSRC provided £1.4 million in support of RAEng/EPSC Research Fellowships. HEFCE provided £0.9 million in support of the London Engineering Project. Income from other sources such as investments, subscriptions, donations and facilities totalled £2.2 million an increase of 19% over the previous year.

Expenditure on charitable activities increased by 38% to £13.1 million. This expenditure is analysed into the four strategic objectives which the Academy pursued during the year. An analysis based upon the principal objective of each activity shows that, of the total charitable expenditure of £13.1 million: 50% was spent on enhancing the contribution of

engineering to raising the UK's innovation performance; 25% on attracting more people to a wider range of engineering careers; 18% on engaging more effectively with the public and the public policy process; and 7% on developing the ability of the Academy to make an impact. Staff costs increased by 18% to £2.5 million, this was due to expansion in staff numbers from 45 to 51, full time equivalents, and salary growth which averaged 4%.

INVESTMENTS

The stock market grew strongly throughout the year and gains in the investment portfolios totalled nearly £2 million. Continuing improvements in dividend yields helped to increase investment income by 6.3% to £1.1 million. Approximately 25% of the General Fund portfolio is held in high quality fixed interest stocks. In order to finance the cost of the purchase of the lease at Carlton House Terrace, Finance and Audit Committee recommended to Council to liquidate the Building Fund portfolio and pay the balance with a £2 million bank loan which was agreed in April 2007.

FINANCE AND AUDIT COMMITTEE

The Committee met four times during the year plus a special year-end review meeting with the auditors. In addition to its regular financial work, the Committee conducts annual reviews of major areas of Academy activity from the standpoint of financial governance. During the year reviews were conducted on external events, engineering policy, communications, and the education programme.

PENSION FUND

These accounts have been prepared in compliance with the rules of Financial Reporting Standard - Retirement Benefits (FRS17), and the

valuation as at 31 March 2007 shows that there is a deficit of £0.7 million on the fund. The estimate of the values of the assets and liabilities of the scheme (closed to new members since 1 January 2000) is given in Note 9(b) to these accounts. The Academy closed the final salary scheme with effect from 31 March 2007. The 13 staff remaining in the scheme were transferred to a defined contribution scheme and transition arrangements were offered.

Signed on behalf of the Finance and Audit Committee 11 May 2007
F C Price FREng, Honorary Treasurer

Report of Council

Reference and Administrative Detail

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.	
PROFESSIONAL ADVISERS	Bankers	National Westminster Bank plc Charing Cross, London Branch PO Box 113, Cavell House 2a Charing Cross Road London WC2H 0NN
	Solicitors	Bristows 3 Lincoln's Inn Fields London WC2A 3BP
	Auditors	PKF (UK) LLP Farringdon Place 20 Farringdon Road London EC1M 3AP
	Investment Advisers	OLIM Limited Pollen House 10/12 Cork Street London W1X 1PD

Structure, Governance and Management

COUNCIL MEMBERS Council members are the trustees of the Academy as defined under its status as a registered charity. 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, Awards and Communications, most of which also meet four times per year. The majority of Academy activities are controlled by committees composed of Fellows. The members of Council during the year were:

OFFICERS	President	Lord Browne of Madingley FREng (from 4.7.06) Lord Broers FREng HonFMedSci FRS (until 4.7.06)
	Immediate Past President (<i>ex officio</i>)	Lord Broers FREng HonFMedSci FRS (from 4.7.06) Sir David Davies CBE FREng FRS (until 4.7.06)
	Senior Vice President	Professor W Hall CBE FREng
	Vice Presidents	Lord Browne of Madingley FREng (until 4.7.06) Professor W R Eatock Taylor FREng Dr S E Ion OBE FREng Mr P Saraga OBE FREng Dr R S Steedman FREng Professor R A Williams FREng (from 4.7.06)
	Honorary Treasurer Hon Secretary for International Activities Hon Secretary for Education & Training	Mr F C Price FREng Mr P Saraga OBE FREng Dr J E King CBE FREng (until 4.7.06) Dr D Grant CBE FREng (from 4.7.06)

ORDINARY COUNCIL MEMBERS	Mr R Benaim FREng Mr M A Brinded CBE FREng (from 4.7.06) Sir David Brown FREng (from 4.7.06) Professor D Fisk CB FREng (until 4.7.06) Sir Peter Gershon CBE FREng (until 4.7.06) Professor P J Gregson FREng Mr N D Haste OBE FREng (until 4.7.06) Mr C G Hodge FREng Mr M G Howse OBE FREng (from 4.7.06) Professor R Holdaway FREng	Dr I D Nussey OBE FREng Professor J D Perkins FREng Professor D I A Poll OBE FREng Mr R L Olver FREng (from 4.7.06) Sir Martin Sweeting OBE FREng FRS Dr M Shears CBE FREng Sir John Taylor OBE FREng FRS Mr J P Weston CBE FREng (until 4.7.06) Professor R A Williams FREng (until 4.7.06) Professor S J Young FREng (from 4.7.06)
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EX OFFICIO COUNCIL MEMBER	Chairman, Membership Committee	Professor M J H Sterling FREng
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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. The Council Nominations Committee meets annually to draw up a list of candidates to serve as Council Officers for the forthcoming year. This list is put to the Fellowship for approval at the Annual General Meeting. The President is elected for a term of five years and the other officers for terms of three years. The immediate Past President also serves on Council for five years. On election new Council members are required to confirm that they are eligible to be trustees of a charity.

Induction and Training of Council Members

Following election, Council members are provided with an information pack comprising the Charter and Statutes of the Academy, a Charity Commission publication on the responsibilities of charity trustees and the strategic plan. Council members are encouraged to attend recommended external training courses for charity trustees.

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;
- Reviewing the reserves policy annually;
- 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 monthly to Finance and Audit Committee members and summarised accounts are submitted quarterly to Council.

MEMBERS OF FINANCE AND AUDIT COMMITTEE

Mr F C Price FREng** (Chairman and Honorary Treasurer)	Professor R W E Shannon CBE FREng* (until 4.7.06)
Mr C V Betts CB FREng	Professor P N T Wells FREng FMedSci FRS*
Mr R Benaim FREng**	Professor S J Young FREng**
Mr M J Earwicker FREng* (until 4.7.06)	
Dr I D Nussey OBE FREng**	

** Denotes current member of Council, * Denotes former member of Council.
In 2005/06 Council decided that, on completion of the terms of office of current Committee members, the Finance and Audit Committee should comprise only current Council members.

INVESTMENT POWERS

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

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.

PRINCIPAL EXECUTIVES

Day to day management of the Academy is the responsibility of the Chief Executive assisted by the Directors' Committee which meets weekly. The directors are as follows:

Chief Executive	Mr P D Greenish CBE
Director, Finance and Administration	Mr A Thomas
Director, Engineering Affairs	Mr K Davis
Director, Education Affairs	Dr R W Ditchfield
Director, Best Programme	Professor M Harrison
Director, Communications	Dr R Wilson
Director, Development	Ms S Philbrick

Report of Council

Objectives and Activities

Strategic Objectives

In its Strategic Plan which Council approved in July 2005, it was decided to focus the efforts of the Academy on the achievement of four strategic objectives for the period 2005-2010, which are:

- To engage more effectively with the public and the public policy process
- To attract more people to a wider range of engineering careers
- To enhance the contribution of engineering to raising the UK's innovation performance
- To strengthen the Academy and its ability to make an impact

Activities

The strategic objectives were supported by the following activities during the year:

"To engage more effectively with the public and the public policy process"

- Conduct a programme of events on topics of strategic importance to the UK.
- Bestow medals and awards on people of distinction who have advanced the cause of engineering and who will serve as role models for aspiring young people.
- Publish *Ingenia* with thought provoking articles on engineering issues to influence a wide audience of decision makers.
- Increase the appeal and usage of the Academy's websites by target audiences.
- Respond to requests for information on engineering topics from parliamentary, government and other national bodies.
- Conduct policy studies on subjects of topical public interest and relevance to the Academy's strategic priorities.

"To attract more people to a wider range of engineering careers"

- Develop the BEST Engineering Education Programme to be the pre-eminent national scheme for engineering education curriculum enrichment.
- Operate BEST as a true continuum where participants remain engaged year after year, graduating from one scheme to the next.

- Operate the London Engineering Project to encourage more women and young people from parts of society that are under-represented in engineering to study engineering at the higher education level.
- Support undergraduates with financial support, mentoring and extra-curricular training. Also develop new offerings that are attractive and complement the teaching they receive from their universities
- Support teachers to improve the teaching of science and engineering by introducing teaching programmes that help teachers convey the excitement and relevance of engineering to their students

"To enhance the contribution of engineering to raising the UK's innovation performance"

- Promote two-way knowledge transfer between different organisations in the UK.
- Stimulate awareness and demand for technology and engineering in business and industry.
- Establish linkages with other countries identified as key strategic partners for the UK.
- Promote the development and delivery of technologies of benefit to society.
- Support the maintenance of technological capability in strategic areas.
- Work internationally to develop new strategies with the European and world bodies of engineering academies.

"To develop the ability of the Academy to make an impact"

- Move the Academy to premises more suited to helping achieve its objectives.
- Seek more Fellows from SME's and a younger age group.
- Strengthen the Fellowship by developing better means for communicating with the Fellowship and thereby maximising ways in which Fellows can participate in Academy activities.
- Encourage diversity by ensuring that objectives are in place for widening participation in the programmes, and by setting up schemes aimed specifically at target groups. Also participate fully with national bodies seeking to promote diversity.
- Re-engineer and improve as many activities as possible using IT.
- Enhance skills the levels of the staff team to meet evolving demands and retain IIP status.
- Broaden the Academy's funding base by seeking new strategic partners.

Achievement and Performance

"To engage more effectively with the public and the public policy process"

- Over 20 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 Oleg Zienkiewicz CBE FREng FRS, Professor Emeritus, University of Wales, Swansea.
- The President's Medal was awarded to Sir David Davies CBE FREng FRS; The Sir Frank Whittle Medal was awarded to Mr Michael Ramsay; 4 Silver Medals were awarded to Dr Simon Gallimore, Professor Lionel Tarassenko FREng, Dr Ian McEwan, and Professor Andrew Blake FREng FRS; The Medal for the Public Promotion of Engineering was awarded to Professor John Burland CBE FREng FRS; The Lifetime Achievement Award was awarded to Professor Peter Kirstein CBE FREng; The ERA Foundation Award for academic engineering researchers was awarded to Mr Mario Iobbi.
- The MacRobert Award for Engineering Innovation for 2006 was won by Optos plc for its Panoramic 200 scanning laser ophthalmoscope.
- Fifteen *Ingenious* awards were made to promote open debate and dialogue between citizens and engineers on engineering issues of public interest and concern; and provide engineers with training and experience in public engagement.
- The Academy provided written responses and advice on 16 issues to Parliamentary, Government and other national bodies on a range of engineering topics.
- Studies and initiatives completed or underway include or relate to:
 - Energy
 - Philosophy of engineering
 - Dilemmas of privacy and surveillance
 - Systems Biology (with the Academy of Medical Sciences)
 - Engineering ethics
 - Road user charging
 - Industry academia interactions
 - Obesity: Causes and cures
 - Educating Engineers for the 21st Century
 - Diversity (with Equalitec: Advancing Women in IT, Electronics, Communications)
 - Public attitudes and perceptions to engineering and engineers

"To attract more people to a wider range of engineering careers"

- Achievements in the engineering education programmes were as follows:
 - **Engineering Education Scheme** – 1,872 school students participated
 - **Headstart** – 1,500 sixth form students participated at 30 universities
 - **Undergraduate Programme** – 1,532 students participated
 - **Engineering Leadership Awards** – 20 awards
 - **Year in Industry** – 593 students participated
 - **Young Engineers Clubs** – over 26,000 students participated
 - **Smallpeice Trust Schemes** – over 7,000 students attended courses
 - **Sainsbury Management Fellowships in Engineering** – 11 awards
 - **Sainsbury Management Fellowships in the Life Sciences** – 6 awards
 - **Panasonic Trust Awards for masters' courses related to the environment** – 56 awards
 - **Panasonic Trust Fellowships in environmental technology** – 7 awards
 - **Sir Angus Paton Bursary** – 1 award
 - **Executive Engineers Programme** – 40 graduate engineers participated
 - **ERA Foundation Engineering Teaching Prize** – 6 prizes awarded
 - **The Shape the Future campaign** had its first full year. A major outcome was the technology and engineering initiatives directory for teachers.
 - **The Go4SET applied learning programme** was piloted – 250 students participated.
- The London Engineering Project aims to encourage participation in engineering higher education from under-represented social and ethnic groups. It had its first full year with over 3,700 students participating.

"To enhance the contribution of engineering to raising the UK's innovation performance"

- 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

Report of Council

- 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
- Stronger links were developed with the engineering academies in China and India.
- Industry into Academia Fellowships, funded by the ERA Foundation donation, continued on a pilot basis – 2 Fellowships were awarded.
- Achievements in programmes funded by Parliamentary Grant-in-Aid were as follows:
 - **Personal Research Chairs** – 25 in post plus 3 posts with appointments pending
 - **Senior Research Fellowships** – 14 in post (including 7 funded by the Leverhulme Trust) plus 1 post with appointment pending
 - **Global Research Awards** – 24 current award holders
 - **Research Fellowships** – 37 in post plus 14 posts with appointments pending
 - **Industrial Secondment Scheme** – 13 awards
 - **Visiting Professorships in the Principles of Engineering Design** – 120 in post
 - **Visiting Professorships in Engineering Design for Sustainable Development** – 22 in post
 - **Visiting Professorships in Integrated System Design** – 11 in post
 - **International Travel Grants** – 905 awards
 - **Engineering Professional Development Awards** – 72 awards involving 2,106 engineers

“To develop the ability of the Academy to make an impact”

- At the AGM on 4 July 2006, 29 new Fellows, 3 Honorary Fellows and 2 International Fellows were elected
- The Development Steering Group was set up under the chairmanship of Sir John Parker FREng. New funds raised in the year brought the value of the Building Fund to about £3.25 million
- In December 2006 the Academy agreed to purchase a leasehold on 3 Carlton House Terrace for £5.31 million. This building will become the new home for the Academy and will enable better engagement with the public on engineering issues.

Financial Review

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 (SORP 2005). 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 £14.1 million. Total income increased by 40% over the previous year.

GRANT-IN-AID

The Academy is grateful to the Office of Science and Innovation for providing Parliamentary Grant-in-Aid to support activities aimed at promoting engineering research in the UK. Grant-in-Aid at £7.9 million was the largest contribution to funds and represented 56% of total incoming resources.

ENGINEERING EDUCATION PROGRAMMES

The Academy’s Best Engineering Education Programme aims to improve engineering education from school through to postgraduate professional development. The Academy’s educational work is expanding with a number of new partner organisations joining the Shape the Future Programme alongside the Best structure. The Academy also runs the London Engineering Project which is aimed at stimulating interest in engineering higher education in inner city areas which presently have only small representation. The Gatsby Charitable Foundation supported Best with funds totalling £881,000 during the year, and the Higher Education Funding Council provided £936,000 to support the London Engineering Project.

OTHER GRANTS AND CONTRACTS

Income from other grants and contracts totalled £2.1 million of which the Engineering and Physical Sciences Research Council provided £1.4 million for the Research Fellowship programme and the Leverhulme Trust donated £223,000 for the Leverhulme Fellowship programme.

DONATIONS

During the year the Academy received donations of £103,000 earmarked for specific programmes, plus £442,000 as a result of the Development Appeal and this was added to the Building Fund.

OTHER INCOME

Other major sources of income during the year were: investment, rental, subscription and facilities hire income at a total of £1.7 million (12% of total incoming resources).

CHARITABLE ACTIVITIES

Expenditure on charitable activities was £13.1 million during the year or 97% of total resources expended. Of this total, £9.6 million represented charitable activities and grants paid under various programmes and £3.5 million represented the costs of operating those programmes.

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. These costs totalled £279,000 or 2% of total resources expended. The Academy is continuing with major fundraising activity aimed, primarily, at obtaining funds for the Best Programme and also for developing its new headquarters building which is better suited to long term development plans.

GOVERNANCE COSTS

Governance costs comprising audit fees, legal fees and associated support costs amounted to £73,000 or 0.5% of total resources expended.

ADDITIONAL PAYMENT TO PENSION FUND

The triennial valuation of the Academy’s defined benefits pension scheme occurred on 1 January 2006. The scheme showed a deficit of £2.1 million (see Note 9b) and, following a negotiation with the Trustees of the scheme, a funding plan to pay off the deficit over a period of 10 years was agreed. As part of the funding plan the Academy agreed to make an additional payment into the scheme of £500,000 in March 2007. In order to comply with the requirements of the Pension Protection Fund it has also been necessary to agree a charge over a section of the bond portfolio of £1.168 million in favour of the Trustees of the scheme. The level of the charge on the assets and the repayment plan will be reviewed at each triennial valuation, the next one being due on 1 January 2009. The defined benefit scheme was closed with effect from 31 March 2007 and the 13 staff remaining in the scheme have been transferred to a defined contribution scheme for future service.

Report of Council

INVESTMENTS

Investment assets were divided into two portfolios. The benchmark indices for comparing against the performance of the portfolios are composites made up of 75% equities and 25% fixed interest. The General Fund Portfolio has the objective of generating income to spend on activities in support of the Academy's strategic objectives whilst preserving the capital value of the fund in real terms. During the year the General Fund generated £722,000 of income with realised gains of £366,000 and unrealised gains of £1.4 million. Over the year the General Fund performed ahead of its benchmark.

The Building Fund Portfolio, founded on the individual donations of Fellows, had the objective of providing a source of finance for the provision and enhancement of a headquarters building for The Academy. With the acquisition of the lease on new premises, the Building Fund portfolio was liquidated in January 2007 for £2,913,000. This amount included realised gains on investments of £221,000 and retained income of £86,000.

FIXED ASSETS

Capital expenditure during the year amounted to £19,000, of which £14,000 was spent on the IT network and £5,000 on other equipment and furniture.

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 continue as a going concern in the event of a major reduction in income from existing sources. The Committee also took into account the level of deficit in the final salary pension fund. 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 by 2015.

The reserves policy will continue to be monitored and reviewed by Finance and Audit Committee who would forward recommendations to Council for their consideration should any amendments be required to the policy. The free reserves of The Academy are made up as follows:

	2007	2006	
Year ended 31 March	£000	£000	
Total funds per Balance Sheet	22,069	19,216	
Deduct:			
Tangible Fixed Assets	Note 10	72	108
Restricted Funds	Note 16	117	122
Designated Special Funds	Note 16	301	299
Designated Building Fund	Note 16	2,858	2,570
Designated RAEng MacRobert Award Fund	Note 16	1,363	1,332
Pension Fund Charge on Assets	Note 9b	1,168	-
Free Reserves	16,190	14,785	

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.

Recipients of Academy Grants

The Academy made over 1,600 grants and awards to organisations and individuals in 2006/07 totalling £7.6 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	Total
1 Imperial College	311,961	18,000	-	30,770	-	360,731
2 Cambridge University	150,493	26,000	12,183	15,500	-	204,176
3 Smallpeice Trust	-	-	-	-	199,543	199,543
4 University College London	79,213	40,000	18,766	9,000	52,381	199,360
5 Young Engineers	-	-	-	-	142,313	142,313
6 London South Bank University	-	-	15,750	500	120,418	136,668
7 Sheffield University	70,255	41,000	12,900	12,300	-	136,455
8 Queen's University Belfast	78,806	35,500	11,180	7,300	-	132,786
9 Oxford University	102,468	1,000	-	10,200	-	113,668
10 London Business School	-	-	-	-	105,000	105,000
11 Engineering Development Trust	-	-	-	-	100,276	100,276
12 Edinburgh University	43,204	40,000	-	7,700	-	90,904
13 Southampton University	66,807	1,000	-	21,700	-	89,507
14 SETNET	-	-	-	-	89,403	89,403
15 Brightside Trust	-	-	-	-	86,300	86,300
16 Leeds University	46,437	16,000	-	12,000	-	74,437
17 Bath University	-	41,000	14,453	16,400	-	71,853
18 Loughborough University	44,692	1,000	13,000	9,100	-	67,792
19 Manchester University	42,918	11,000	-	7,400	-	61,318
20 Sussex University	-	1,000	-	1,800	55,251	58,051
21 Newcastle University	40,545	11,000	-	5,800	-	57,345
22 INSEAD (France)	-	-	-	-	56,250	56,250
23 Surrey University	20,132	21,000	-	6,300	-	47,432
24 Bradford University	-	39,000	-	4,200	-	43,200
25 Strathclyde University	26,672	1,000	-	12,700	-	40,372
26 British Association for the Advancement of Science	-	-	-	-	39,160	39,160
27 African-Caribbean Network for Science & Technology	-	-	-	-	37,280	37,280
28 IESE (Spain)	-	-	-	-	37,200	37,200
29 Birmingham University	-	21,000	-	13,300	-	34,300
30 Bristol University	-	26,000	-	7,700	-	33,700
31 Cranfield University	20,974	1,000	-	8,700	-	30,674
32 York University	25,943	-	-	4,000	-	29,943
33 Brunel University	-	21,000	-	8,300	-	29,300
34 Queen Mary College London	20,431	1,000	-	7,100	-	28,531
35 Bangor, University of Wales	27,125	-	-	200	-	27,325
36 UK Resource Centre for Women in Science, Engineering & Technology	-	-	-	-	25,661	25,661
37 Nottingham University	-	7,500	11,000	7,000	-	25,500
38 UMIST	25,119	-	-	-	-	25,119
39 Harvard University (USA)	-	-	-	-	24,200	24,200
40 Plymouth University	-	21,000	-	2,600	-	23,600
41 Glasgow University	-	16,000	-	6,700	-	22,700
42 Liverpool University	-	1,000	-	7,800	13,595	22,395

Report of Council

Amounts in £	Research ¹	Visiting Profs ²	Industrial Sec'mnts	Travel Grants	Educ'n ³	Total
43 Kingston University	20,463	1,000	-	400	-	21,863
44 Columbia University (USA)	-	-	-	-	21,800	21,800
45 Staffordshire University	-	-	20,000	-	-	20,000
46 Northumbria University	18,701	-	-	1,000	-	19,701
47 City University	-	1,000	16,500	-	-	17,500
48 Cardiff University	-	11,000	-	5,900	-	16,900
49 Nottingham Trent University	-	-	14,400	1,900	-	16,300
50 Liverpool John Moore University	-	-	15,763	400	-	16,163
	1,283,359	473,000	175,895	273,670	1,206,031	3,411,955

Notes:
 1. Research comprises Personal Research Chairs, Senior Research Fellowships, 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 London Engineering Project, the Engineering Education Scheme, the Year in Industry Scheme, the Headstart Scheme and the Sainsbury Management Fellowship Scheme.

Grant Making Policy

The grant and award programmes are run by committees or steering groups of Fellows of the Academy. There is a policy of strict impartiality and no Fellow may participate in a grant/award decision if there is a conflict of interest. The role of Academy staff is solely one of administration of the programmes.

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	80	48
Female	2	20	52
Ethnicity¹			
White	98	74	91
Mixed ²	*	2	-
Asian/Asian British	1	8	5
Black/Black British	-	1	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%

Plans for Future Periods

"To engage more effectively with the public and the public policy process"

- Create an overarching public engagement programme
- Develop our communications activity
- Enhance the impact of our publications
- Strengthen further our policy work and the impact it makes

"To attract more people to a wider range of engineering careers"

- Build on the success of the Best Programme
- Widen the Best Programme
- Extend the London Engineering Project nationally
- Support our undergraduates
- Support our teachers

"To enhance the contribution of engineering to raising the UK's innovation performance"

- Develop programmes to stimulate knowledge transfer between organisations in the UK
- Engage at a regional level in the UK through such bodies as Regional Development Agencies
- Promote the development and delivery of technologies of benefit to society
- Establish a programme of distinguished visiting fellowships in key disciplines to invigorate UK staff and students and share international best practices
- Establish a programme of fully-funded ten-year Research Chairs in Emerging Technologies
- Expand the programme of Industry into Academia Fellowships

- Establish a scheme to support research exchanges with China and India as a first step in enhancing links and knowledge transfer with these growing world powers
- Continue to expand and develop current programmes, namely: RAEng/ EPSRC Research Fellowships; Research chairs and senior research fellowships; Visiting Professors schemes; Global research awards; International travel awards; Industrial secondments for university lecturers; Engineering professional development awards;

"To develop the ability of the Academy to make an impact"

- Enhance the Academy's leadership role and reputation
- Strengthen the Fellowship
- Increase partnerships and networking with stakeholders
- Develop the new Academy building into a national centre for engineering
- Encourage diversity in all that we do
- Ensure sufficient and balanced funding
- Widen our reach
- Consider engineering capacity building opportunities
- Improve the Academy's performance and processes

Statement of Council's Responsibilities

Council members, as Trustees of The Royal Academy of Engineering, are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The law applicable to charities in England & Wales requires the Council 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 its incoming resources and application of resources of the year. In preparing financial statements giving a true and fair view the Council should follow best practice and:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that The Royal Academy of Engineering will continue in operation.

Council is responsible for keeping accounting records that disclose with reasonable accuracy the financial position of the Academy and enable them to ensure that the financial statements comply with applicable law and the trust deed. They are 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.

Signed under delegated authority on behalf of Council on 11 May 2007

Lord Browne of Madingley, 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 2007 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Trustees (Council of the Academy), as a body, in accordance with Regulation 7 of the Charities Accounts and Report Regulations 2005. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND AUDITORS

Council's responsibilities for preparing the Council's report and the financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') 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 International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the Council's report is not consistent with the financial statements, if the Academy has not kept proper accounting records or if we have not received all the information and explanations we require for our audit. We read the Council's report and consider the implications for our report if we become aware of any apparent misstatements within it.

The relationship between The Royal Academy of Engineering and the Office of Science and Innovation and the terms upon which the Office of Science and Innovation 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 Innovation have been applied in accordance with this Financial Memorandum.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Academy's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations 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

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Academy's affairs as at 31 March 2007 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.

In our opinion, in all material aspects the income from the Office of Science and Innovation 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 11 May 2007
PKF (UK) LLP Registered Auditors

Statement of Financial Activities

YEAR ENDED 31 MARCH 2007

	Notes	Unrestricted Funds	Restricted Funds	Totals 31 March 2007	Totals 31 March 2006
		£	£	£	£
Incoming Resources					
Incoming Resources from Charitable Activities					
Grants	2	-	8,765,889	8,765,889	6,834,154
Contracts	4	24,766	3,055,836	3,080,602	1,333,209
Incoming Resources from Generated Funds					
Gifts and Donations	5	471,967	72,943	544,910	266,954
Activities for Generating Funds					
Investment Income	6	1,109,571	-	1,109,571	1,043,696
Other Income	6a	627,375	-	627,375	614,325
Total Incoming Resources		2,233,679	11,894,668	14,128,347	10,092,338
Resources Expended					
Costs of Generating Funds					
Fundraising Costs		162,839	-	162,839	116,274
Investment Management Fees		116,425	-	116,425	106,597
		279,264	-	279,264	222,871
Charitable Activities					
Engaging Effectively with the Public	7	615,913	1,739,700	2,355,613	1,682,590
Attracting More People into Engineering	7	156,872	3,047,196	3,204,068	2,116,755
Enhancing the Contribution of Engineering	7	35,000	6,540,345	6,575,345	4,495,792
Developing the Academy	7	346,835	580,000	926,835	1,191,989
		1,154,620	11,907,241	13,061,861	9,487,126
Governance Costs	8	72,671	-	72,671	61,403
Total Resources Expended		1,506,555	11,907,241	13,413,796	9,771,400
Net Incoming Resources Before Transfer		727,124	(12,573)	714,551	320,938
Transfers Between Funds		(6,705)	6,705	-	-
Net Incoming Resources		720,419	(5,868)	714,551	320,938
Net Investment Gains					
Realised Gains on Investments		587,071	-	587,071	4,195
Unrealised Investment Gains	11	1,389,791	-	1,389,791	3,017,678
Total Investment Gains		1,976,862	-	1,976,862	3,021,873
Actuarial Gains/(Losses) on Defined Benefit Pension Scheme		162,000	-	162,000	(454,000)
Net Movement in Funds		2,859,281	(5,868)	2,853,413	2,888,811
Fund Balances Brought Forward 1 April		19,092,829	122,689	19,215,518	16,326,707
Fund Balances Carried Forward 31 March	16,17	21,952,110	116,821	22,068,931	19,215,518

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

Balance Sheet

AT 31 MARCH 2007

	Notes	Year ended		Year ended	
		31 March 2007	31 March 2006	31 March 2007	31 March 2006
		£	£	£	£
Tangible Fixed Assets	10		72,057		107,680
Investments	11		19,811,915		21,039,499
Current Assets					
Debtors	12		966,773		502,699
Stock	13		26,883		8,865
Cash at Bank			8,657,897		3,539,052
Short Term Deposits			265,447		247,247
			9,917,000		4,297,863
Current Liabilities					
Creditors (amounts falling due within one year)	14		(7,061,041)		(4,946,524)
Net Current Assets/(Liabilities)			2,855,959		(648,661)
Defined Benefit Pension Scheme Liability	9b		(671,000)		(1,283,000)
Net Assets			22,068,931		19,215,518
Charitable Funds:					
Restricted Funds	16		116,821		122,689
Unrestricted Funds					
Special Funds	16		301,402		298,988
Building Fund	16		2,857,904		2,569,688
RAEng MacRobert Award Fund	16		1,363,038		1,332,119
General Fund	16		18,100,766		16,175,034
Pension Fund Deficit	16		(671,000)		(1,283,000)
			17,429,766		14,892,034
Total Charitable Funds			22,068,931		19,215,518

These financial statements were approved and authorised for issue by the President and Hon Treasurer under delegated authority from the Council.

Signed on behalf of the Council on 11 May 2007

Lord Browne of Madingley, President
F C Price, Hon Treasurer

Cash Flow Statement

YEAR ENDED 31 MARCH 2007

	2007	2006
	£	£
Reconciliation of Changes in Resources to Net Cash Inflow from Operations		
Net Incoming Resources (as reported)	714,551	320,938
Less: FRS17 Operating Pension Adjustment	50,000	(6,000)
Less: Additional Payment to Pension Fund	(500,000)	-
Less Income from Interest and Dividends	(1,109,571)	(1,043,696)
Depreciation Net of Disposals	54,373	50,062
(Increase)/Decrease in Debtors	(464,074)	101,015
Increase in Creditors	2,114,517	670,270
(Increase)/Decrease in stock	(18,018)	2,504
Net Cash Inflow from Operating Activities	841,778	95,093

Cash Flow Statement

Net Cash Inflow from Operating Activities	841,778	95,093
Returns on Investments (Note1)	1,109,571	1,043,696
Capital Expenditure and Financial Investment (Note 1)	3,185,696	(512,660)
Increase in Cash	5,137,045	626,129

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

Increase in Cash in the Period	5,137,045	626,129
Net Cash at 1 April 2006	3,786,300	3,160,171
Net Cash at 31 March 2007	8,923,345	3,786,300

NOTES TO THE CASH FLOW STATEMENT

Note 1 - GROSS CASH FLOWS

Returns on investments

Dividends Received	634,440	656,871
Income from Fixed Interest Bonds	173,556	185,455
Interest Received	301,575	201,370
	1,109,571	1,043,696

Capital expenditure and financial investment

Purchase of Tangible Fixed Assets	(18,750)	(59,957)
Purchase of Investments	(6,625,310)	(2,377,707)
Proceeds from Sale of Investments	9,829,756	1,925,004
	3,185,696	(512,660)

Note 2 - ANALYSIS OF CHANGES IN NET CASH

Cash in hand plus bank deposits		
As at 1 April 2006	3,786,300	3,160,171
Cash Flows	5,137,045	626,129
As at 31 March 2007	8,923,345	3,786,300

Notes to the Accounts

For the Year Ended 31 March 2007

NOTE 1 - ACCOUNTING POLICIES

(a) Basis of Preparation of the Accounts

The annual report, incorporating the financial statements for the year ended 31 March 2007, has been prepared in accordance with the Academy's Royal Charter, and in compliance with the Charities Act 1993, the Statement of Recommended Practice 'Accounting and Reporting by Charities' (revised 2005) ('SORP'), and with applicable Accounting Standards.

(b) Historical Cost Convention

The financial statements have been prepared under the historical cost convention, as modified for the inclusion of investment assets at market value.

(c) Incoming Resources

The specific bases for accounting for income are described below. In general terms, income is accounted for on a receivable basis, gross of related expenditure. Income is only recognised where there is evidence of entitlement, where it is virtually certain that income will be received, and there is reasonable certainty of the amount.

- Investment income is included in the Statement of Financial Activities in the year in which it is receivable.
- Grants receivable are recognised when entitlement to the grant is confirmed, and also include returned grants which are accounted for on receipt.
- Other incoming resources consist of subscriptions, including income tax recoverable.

(d) Resources Expended

Expenditure is recognised on an accruals basis, gross of any related

income. Costs are allocated to activities as described below. Indirect costs are apportioned to activities on a basis consistent with the use of the resources.

- Costs of generating funds comprise direct costs and expense of staff involved with fundraising, and fees paid to investment fund managers.
- Charitable activities – Grants. Grants payable are charged in the year in which the commitments to pay the grants are made.
- Charitable activities – Other. Other charitable expenditure includes all direct expenditure, including staff costs, which is directly attributable to activities. Indirect costs are allocated to each charitable activity based on the number of staff directly supporting the activity.
- Governance costs include those associated with the management of the Academy's assets and with constitutional and statutory requirements.

(e) Operating Leases

Rental costs under operating leases are charged to the Statement of Financial Activities, as the charges are incurred, over the lease periods.

(f) Tangible Fixed Assets

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset over its expected useful life, as follows:

Furniture

– over 5 years

Computer equipment

– over 3 years

Leasehold cost

– over term of lease

Legal costs in respect of sale or purchase of property are charged to the Statement of Financial Activity as incurred.

(g) Investments

Listed investments are included in the financial statements at market value at the balance sheet date. Gains/losses on disposal of investments and revaluation of investments are recognised in the year of gain or loss and are allocated to the funds to which the investments relate.

(h) Pensions

The Academy's defined benefit scheme was closed on 31 March 2007. Pension costs are assessed in accordance with the advice of an actuary based on the most recent actuarial valuation of the scheme and are accounted for on the basis of charging the cost of providing pensions over the period during which the Academy benefits from the employees' services. There is also a defined contribution scheme for staff who joined after 1 January 2000.

(i) Funds

General Funds are those which are available for use at the Council's discretion in the furtherance of the Academy's objects.

Designated Funds are unrestricted funds set aside for unrestricted purposes and which would otherwise form part of General Funds. Details of the nature and purpose of each designated fund are set out in note 16.

Restricted Funds are funds that are subject to restrictions imposed by donors and are applied in accordance with these restrictions. Details of the nature and purpose of each restricted fund are set out in note 16.

Year Ended 31 March 2007

	Unrestricted Funds	Restricted Funds	Totals 31 March 2007	Totals 31 March 2006
	£	£	£	£
Note 2 - Grants				
Parliamentary Grant-in-Aid	-	7,885,000	7,885,000	5,850,000
Engineering Education Programme	-	880,889	880,889	984,154
	-	8,765,889	8,765,889	6,834,154
Note 3 - Parliamentary Grant-in-Aid				
Grant in Aid was expended on:				
External Projects	-	5,399,000	5,399,000	3,622,000
Cost of Managing External Projects	-	2,486,000	2,486,000	2,228,000
	-	7,885,000	7,885,000	5,850,000
Note 4 - Contracts				
Shape the Future	-	100,000	100,000	90,000
Gatsby to Smallpeice & Young Engineers	-	128,687	128,687	170,463
Engineering Leadership Awards	-	36,000	36,000	52,000
Forum for the Future	-	40,000	40,000	-
BEST Support	-	148,000	148,000	75,000
Building Engineering Physics	-	63,000	63,000	-
EPSRC	-	1,381,334	1,381,334	577,486
Leverhulme	-	223,084	223,084	137,475
London Engineering Project	-	935,731	935,731	214,112
Other Contracts	24,766	-	24,766	16,673
	24,766	3,055,836	3,080,602	1,333,209
Note 5 - Gifts and Donations				
Development Appeal	441,927	-	441,927	106,179
Other Donations	30,040	72,943	102,983	160,775
	471,967	72,943	544,910	266,954
Note 6 - Investment Income				
Dividends from Equity Investments	634,440	-	634,440	656,871
Income from Fixed Interest Bonds	173,556	-	173,556	185,455
Interest on Bank Deposits	301,575	-	301,575	201,370
	1,109,571	-	1,109,571	1,043,696
Note 6a - Other Income				
Conferences and Events	93,735	-	93,735	96,789
Academy Internal Events	2,228	-	2,228	1,826
Subscription Income	184,201	-	184,201	166,451
Advertising Income & Sale of Ties	50,972	-	50,972	42,210
Facilities Income	135,451	-	135,451	119,549
Rental Income	160,788	-	160,788	187,500
	627,375	-	627,375	614,325

Notes to the Accounts

	Engaging effectively with the public £	Attracting more people into engineering £	Enhancing the contribution of engineering £	Developing the Academy £	Total 31 March 2007 £	Total 31 March 2006 £
Note 7 – Charitable Activities						
Unrestricted						
Charitable Activities	310,377	25,538	-	68,652	404,567	353,861
Charitable Grants	-	131,334	35,000	-	166,334	374,191
Staff Costs	208,130	-	-	139,822	347,952	313,197
Accommodation Costs	72,335	-	-	123,745	196,080	133,289
Other Support Costs	25,071	-	-	14,616	39,687	37,520
	615,913	156,872	35,000	346,835	1,154,620	1,212,058
Restricted						
Charitable Activities	311,000	1,293,267	-	-	1,604,267	710,694
Charitable Grants	337,000	1,067,423	6,052,880	-	7,457,303	5,029,030
Staff Costs	938,766	590,142	419,513	-	1,948,421	1,643,850
Accommodation Costs	42,003	26,466	18,663	580,000	667,132	695,586
Other Support Costs	110,931	69,898	49,289	-	230,118	195,908
	1,739,700	3,047,196	6,540,345	580,000	11,907,241	8,275,068
Total Charitable Activities	2,355,613	3,204,068	6,575,345	926,835	13,061,861	9,487,126
Note 8 - Governance Costs						
Auditors fees:						
- Audit					16,274	15,957
- Taxation and Other Services					-	1,692
Legal and Professional Fees					20,717	10,321
Support Costs					35,680	33,433
					72,671	61,403

	2007 £	2006 £
Note 9 – Staff and Pensions Costs		
(a) Staff Costs Analysis (incl. Staff Costs in Note 8)		
Gross Salaries	1,767,993	1,538,894
Employers National Insurance	182,701	155,442
Benefits in Kind	14,325	12,014
Pension Charge	318,678	249,025
Other Staff Costs (including Recruitment, Temporary staff)	199,893	145,233
	2,483,590	2,100,608
Average number of staff in the year by activity:		
- Education Affairs	14	11
- Engineering Affairs	12	10
- Communications and External Affairs	8	8
- Executive and Administration	17	16
	51	45

No remuneration is paid to the President or members of the Council of the Academy. Travelling expenses to attend Council meetings were reimbursed to 11 Council members in 2006/07 amounting to £3,094 (2005/06 £2,379). Travelling expenses to attend other meetings on behalf of the Academy in the UK and overseas were reimbursed to 7 Council members in 2006/07 amounting to £8,929 (2005/06 £7,214). One of the Academy's former 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 2007 The Royal Academy of Engineering contributed £26,815 (year to 31 March 2006 £13,407) 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:

£60,001 - £70,000	4	4
£70,001 - £80,000	-	1
£90,001 - £100,000	-	1
£100,001 - £110,000	1	-

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

Notes to the Accounts

Note 9(b) - Pensions

The Academy operated a defined benefits pension scheme - The Royal Academy of Engineering Pension and Assurance Scheme - which has been closed to new entrants 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 2006 by a qualified actuary. This valuation showed that the market value of the Scheme's assets was £2,880,000 which represented 57% of the benefits that had accrued to members. This valuation yielded a deficit of £2.1 million. 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 valuation required by Financial Reporting Standard 17, the Scheme actuary has updated the valuation of the Scheme as at 1 January 2006 in order to assess the liabilities of the Scheme at 31 March 2007. The FRS17 valuation is on a different basis to the formal valuation referred to above and shows a deficit of £0.7 million. The major assumptions used by the Actuary as at 31 March 2007 were as follows:

	At 31 March 2007	At 31 March 2006	At 31 March 2005	At 31 March 2004
Rate of Increase in Salaries	4.5% p.a.	4.25% p.a.	4.25% p.a.	4.5% p.a.
Limited Price Indexation Pension Increases	3% p.a.	2.75% p.a.	2.75% p.a.	3% p.a.
Discount Rate	5.4% p.a.	5% p.a.	5.4% p.a.	5.5% p.a.
Inflation Assumption	3% p.a.	2.75% p.a.	2.75% p.a.	3% p.a.

The fair value of the assets held and the expected rates of return assumed are as follows:

	Year Ending 31 March							
	2007		2006		2005		2004	
	Expected Rate of Return	Value £000s	Expected Rate of Return	Value £000s	Expected Rate of Return	Value £000s	Expected Rate of Return	Value £000s
Equities & Property	7.3%	1,754	6.8%	2,526	7.2%	1,981	7.3%	1,682
Bonds	5.0%	1,235	4.5%	331	4.9%	249	5%	245
Cash	5.25%	845	4.5%	268	4.75%	186	4%	86
Total		3,834		3,125		2,416		2,013

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			
	2007 £000s	2006 £000s	2005 £000s	2004 £000s
The funding position of the Scheme was as follows:				
Total market value of assets	3,834	3,125	2,416	2,013
Present value of Scheme liabilities	(4,505)	(4,408)	(3,251)	(2,868)
Deficit in the Scheme	(671)	(1,283)	(835)	(855)
Analysis of actuarial loss:				
Actual return less expected return on pension scheme assets	(66)	436	92	192
Experience gains and losses arising on scheme liabilities	13	(105)	(53)	29
Changes in assumptions underlying present value of scheme liabilities	215	(785)	(56)	(68)
Actuarial (loss)/gain	162	(454)	(17)	153
Movement in deficit during the year:				
Deficit in Scheme at beginning of year	(1,283)	(835)	(855)	(954)
Current service cost	(191)	(148)	(164)	(158)
Contributions	663	165	227	151
Past service costs	Nil	Nil	Nil	Nil
Other finance charge	(22)	(11)	(19)	(47)
Actuarial gain/(loss)	162	(454)	(24)	153
Deficit in Scheme at end of year	(671)	(1,283)	(835)	(855)
Analysis of the amount to be debited to Statement of Financial Activities:				
Expected return on pension scheme assets	201	167	144	98
Interest on pension scheme liabilities	(223)	(178)	(163)	(145)
Net return	(22)	(11)	(19)	(47)

	Year Ending 31 March				
	2007 £000s	2006 £000s	2005 £000s	2004 £000s	2003 £000s
History of experience gains and losses:					
Difference between expected and actual return on Scheme assets:					
Amount	(66)	436	92	192	(483)
Percentage of Scheme assets	1.7%	14.0%	3.8%	9.5%	29.7%
Experience gains and losses on Scheme liabilities:					
Amount	13	(105)	(53)	29	64
Percentage of present value of Scheme liabilities	0.3%	2.4%	1.6%	1.0%	2.5%
Total amount recognised in statement of total recognised gains and losses:					
Amount	162	(454)	(17)	153	(528)
Percentage of present value of Scheme liabilities	3.6%	10.3%	0.5%	5.3%	20.5%

During the year the Academy paid normal contributions to the Scheme at the rate of 21.0% of Members' Annual Salaries (less Member Contributions) plus £88,000 per annum. In addition, a special contribution of £500,000 was paid. The agreed contribution rate for the future is £100,000 for the years ending 31 March 2008 and 2009 and £232,000 for the years ending 31 March 2010 – 2016 (inclusive), subject to future actuarial valuations.

As the Scheme has been closed to future accrual of benefits with effect from 31 March 2007 the current service cost will be zero in future years.

Notes to the Accounts

	Computer Equipment	Office Fixtures & Fittings	Leasehold Improvements	Total
	£	£	£	£
Note 10 – Tangible Fixed Assets				
Cost				
At 1 April 2006	117,072	114,980	509,790	741,842
Assets Disposed	(12,566)	(9,859)	(509,790)*	(532,215)
Additions	14,292	4,458	-	18,750
At 31 March 2007	118,798	109,579	-	228,377
Depreciation				
At 1 April 2006	71,377	52,995	509,790	634,162
Assets Disposed	(12,566)	(9,859)	(509,790)	(532,215)
Charge for Year	30,775	23,598	-	54,373
At 31 March 2007	89,586	66,734	-	156,320
Net Book Value				
At 31 March 2007	29,212	42,845	-	72,057
At 31 March 2006	45,695	61,985	-	107,680

* Leasehold improvements at 29 Great Peter Street, due to the impending move the item has been removed from the asset register.
All assets are used for charitable purposes

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	2007 Total Portfolios	2006 Total Portfolios
	£	£	£	£
Market Value at 1 April	18,606,925	2,432,574	21,039,499	17,564,923
Add Acquisitions at Cost	5,826,381	798,929	6,625,310	2,377,707
Less: Disposals at Book Value	(6,011,182)	(3,231,503)	(9,242,685)	(1,920,809)
Net Unrealised Gain on Revaluation at 31 March	1,389,791	-	1,389,791	3,017,678
Market Value at 31 March	19,811,915	-	19,811,915	21,039,499

All investments consist of securities listed on the London Stock Exchange of which fixed interest bonds amounts to approximately £3.3 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 2007 was £1,782,786. The Academy has agreed with the Pension Protection Fund a charge on this Treasury Stock of £1,168,000 in favour of the Trustees of the RAEng Pension and Assurance Scheme in respect of the deficit on the scheme.

	UK Equities	UK Bonds	2007 Total	2006 Total
	£	£	£	£
Market Value at 1 April	16,819,481	4,220,018	21,039,499	17,564,923
Market Value at 31 March	16,439,518	3,372,397	19,811,915	21,039,499
Cost at 31 March	11,897,024	3,394,354	15,291,378	15,863,972

	2007 Total £	2006 Total £
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Note 12 – Debtors

Grants and Sponsorship Receivable	350,484	92,175
Prepayments	111,376	140,150
Other Debtors	504,913	270,374
	966,773	502,699

Note 13 – Stocks

Publications, Academy ties, presentation plates and medals	26,883	8,865
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Note 14 – Creditors (Amounts falling due within one year)

Payments in Advance	211,084	86,467
Committed Grants	6,517,464	4,569,863
Subscriptions in Advance	136,151	129,564
Other Creditors	196,342	160,630
	7,061,041	4,946,524

Note 15 – Future Commitments

Annual Commitments under Operating Leases:

Maturing in less than one year (Property)	-	182,500
Maturing between one and five years (Equipment)	24,766	24,766
Maturing after more than five years (Property)	385,000	385,000
	409,766	592,266

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 Innovation** 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.
- **Higher Education Funding Council for England** provides funds to support the London Engineering Project
- **ExxonMobil** provides funds for Engineering Teaching Fellowships which support able young university engineering lecturers.
- **BEST Support** is funding from various sources to support the marketing and development of the programme.
- **Engineering Leadership Awards** which support promising engineering undergraduates on leadership development programmes are funded by several companies and charitable organisations.
- **Building Engineering Physics** which support visiting professorships in construction engineering.
- **EPSRC Post Doctoral Research Fellowships** are administered by the Academy and funded jointly by the Academy and the Engineering and Physical Sciences Research Council.
- **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
- **Shape the Future** is an engineering promotional campaign aimed at young people and supported by a number of companies and organisations.
- **Gatsby Charitable Foundation** supports Forum for the Future activities
- **Leverhulme Trust** supports senior research fellowships of one year duration.
- **Ad Hoc Contracts** are awarded by a number of companies for specific programmes each year.

Notes to the Accounts

(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. The incoming resource to the Building Fund included £250,000 received from the Kirby Lang Foundation for this purpose, and this amount was expended during the year.

RAEng MacRobert Award Fund

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

	Balance at 1 April 2006 £	Incoming Resources £	Resources Expended £	Transfers Between Funds £	Net Gains/ (Losses) £	Balance at 31 March 2007 £
Restricted Funds						
Grant-in-Aid	-	7,885,000	(7,885,000)	-	-	-
Gatsby Charitable Foundation	-	880,889	(880,889)	-	-	-
London Engineering Project	-	935,831	(935,831)	-	-	-
ExxonMobil Fellowships	75,495	54,000	(54,000)	-	-	75,495
BEST Support	-	148,000	(148,000)	-	-	-
Engineering Leadership Awards	41,326	36,000	(36,000)	-	-	41,326
Building Engineering Physics	-	63,000	(63,000)	-	-	-
EPSRC Research Fellowships	-	1,381,334	(1,381,334)	-	-	-
Smallpeice Trust	-	66,000	(66,000)	-	-	-
Young Engineers	-	62,687	(62,687)	-	-	-
Shape the Future	-	100,000	(100,000)	-	-	-
Forum for the Future	-	40,000	(40,000)	-	-	-
Leverhulme SRFs	-	223,084	(223,084)	-	-	-
Ad Hoc Awards	5,868	18,843	(31,416)	6,705	-	-
Total Restricted Funds	122,689	11,894,668	(11,907,241)	6,705	-	116,821
Designated Funds						
<i>Special Funds</i>						
The President's Fund	6,167	-	-	-	-	6,167
Sir Angus Paton Bequest	108,248	-	(7,000)	7,500	-	108,748
Hinton Bequest	25,970	-	(2,772)	7,500	-	30,698
Lloyds Register Fund	16,910	-	(2,814)	-	-	14,096
UK Focus Fund	84,289	-	-	-	-	84,289
Building Maintenance Fund	47,311	-	-	-	-	47,311
Additional Presidential Activities Fund	10,093	-	-	-	-	10,093
<i>Total Special Funds</i>	<i>298,988</i>	<i>-</i>	<i>(12,586)</i>	<i>15,000</i>	<i>-</i>	<i>301,402</i>
<i>Building Fund</i>	<i>2,569,688</i>	<i>441,927</i>	<i>(104,603)</i>	<i>(265,500)</i>	<i>216,392</i>	<i>2,857,904</i>
<i>RAEng MacRobert Award</i>	<i>1,332,119</i>	<i>-</i>	<i>(53,342)</i>	<i>84,261</i>	<i>-</i>	<i>1,363,038</i>
Total Designated Funds	4,200,795	441,927	(170,531)	(166,239)	216,392	4,522,344
General Fund	16,175,034	1,791,752	(1,336,024)	(290,466)	1,760,470	18,100,766
Pension Fund Deficit	(1,283,000)	-	-	450,000	162,000	(671,000)
Total Funds	19,215,518	14,128,347	(13,413,796)	-	2,138,862	22,068,931

Notes to the Accounts

Note 17 – Analysis of Net Assets between Funds

	Tangible Fixed Assets	Investments	Current Assets	Liabilities	Total Net Assets
	£	£	£	£	£
Restricted Funds	-	-	4,177,726	(4,060,905)	116,821
Reserves:					
Special Funds	-	-	301,402	-	301,402
Building Fund	-	-	2,857,904	-	2,857,904
RAEng MacRobert Award Fund	-	-	1,363,038	-	1,363,038
General Fund	72,057	19,811,915	1,216,930	(3,000,136)	18,100,766
Pension Fund Deficit	-	-	-	(671,000)	(671,000)
Total Funds	72,057	19,811,915	9,917,000	(7,732,041)	22,068,931

Note 18 – Post Balance Sheet Events

The Academy entered into an agreement to take over The Work Foundation's lease of 3 & 4 Carlton House Terrace with a premium of £5.31 million being payable for this property. The lease expires in 2053. Prior to the 31 March a deposit of £265,500 was paid with the remainder being due at the formal agreed completion date per the contract in June 2007. At the same time, the Academy entered into an overage agreement with The Work Foundation which would be effective should the Academy dispose of the property within 10 years, subject to conditions within this agreement. To partially finance the move to 3 & 4 Carlton House Terrace, in April 2007 the Academy agreed an unsecured loan of £2 million with National Westminster Bank plc, repayable over 20 years, with an interest rate of 1.1% over the bank's base rate being applied.