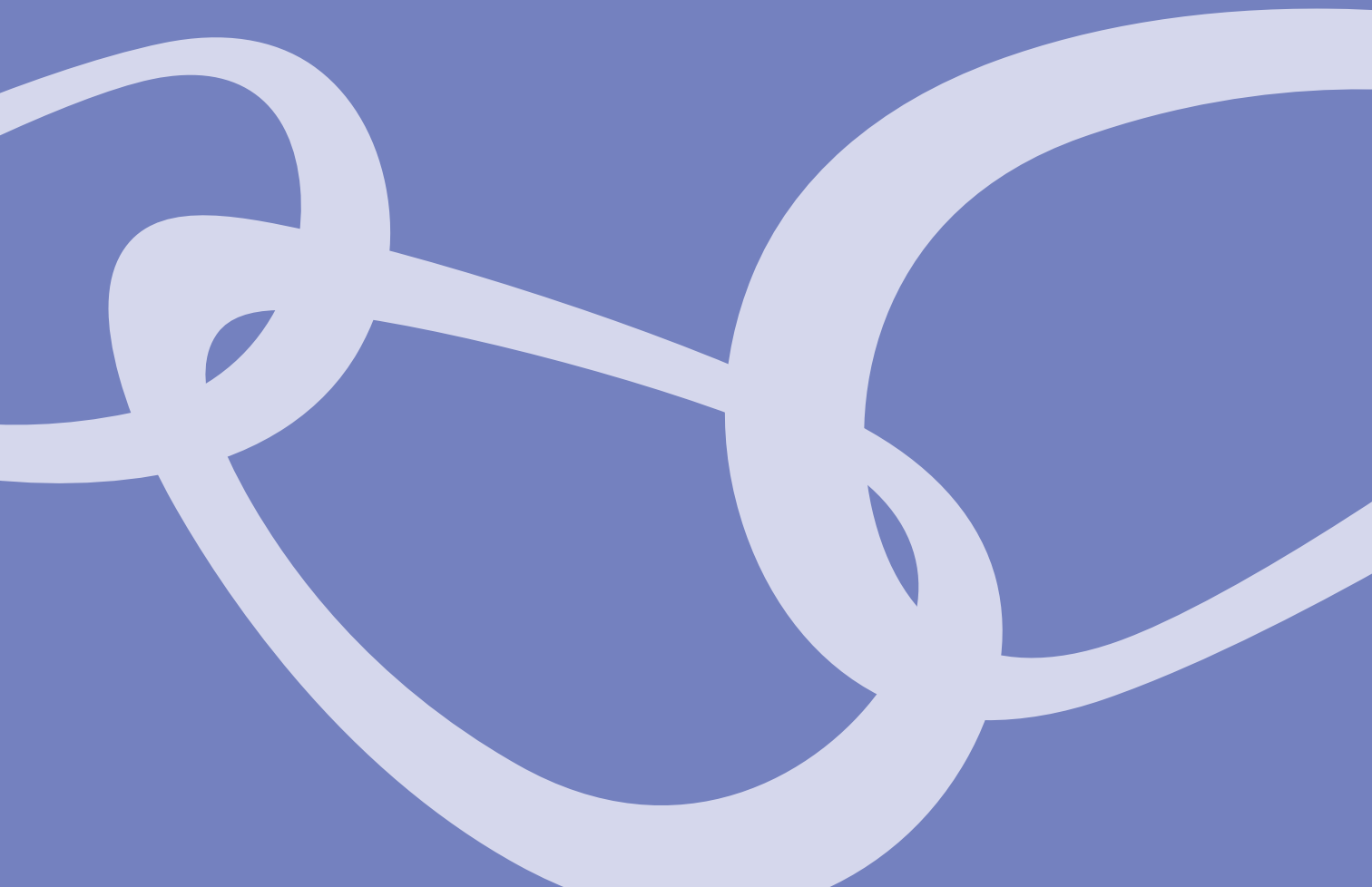




The Royal Academy
of Engineering

Financial Report and Accounts

For the year ended 31 March 2009



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Honorary Treasurer's Statement



RESULTS FOR THE YEAR

The total income for the year increased by 9% to £17.3 million from £15.9 million in the previous year. The Department for Innovation, Universities and Skills (DIUS) increased Grant-in-Aid by 5% to £10.3 million.

The Gatsby Charitable Foundation provided £0.6 million in support of the Best Programme. EPSRC provided £1.7 million in support of RAEng/EPSRC Research Fellowships. HEFCE provided £1.2 million in support of the London Engineering Project. The Department for Children, Schools and Families (DCSF) provided £0.3 million in support of the Bloodhound Education Programme and the STEM programme.

Income from donations and other sources such as investments, subscriptions, events, and facilities hire totalled £2.2 million, an increase of 11% over the previous year.

Expenditure on charitable activities was reduced by 1% to £16.6 million, however if expenditure on the Academy's building is excluded, expenditure on all other charitable activities increased by 9% to £16.2 million. The charitable 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 £16.6 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; 17% on engaging more effectively with the public and the public policy process; and 8% on developing the ability of the Academy to make an impact. Staff costs increased by 10% to £2.9 million, this was due to expansion in staff numbers, full year of expenditure on staff expansion of the previous year and salary growth.

3 CARLTON HOUSE TERRACE

Plans to develop the Academy's building were progressed during the year to the stage where planning permission and listed building approval were obtained. Some construction and refurbishment work was done, for example improving toilet facilities and installing artwork, however the major works to complete the development of the building will not be started until funds have been raised.

INVESTMENTS

The stock market declined sharply following the banking crisis and credit crunch. Realised and unrealised investment losses during the year totalled £4.2 million. Dividend payments from equities held in the portfolio fell by 6% to £603,000. Interest on bank deposits increased by 11% to £546,000. Overall investment income decreased by 2% to £1.2 million. Approximately 17% of the General Fund portfolio is held in high quality fixed interest stocks.

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 of the scheme as at 31 March 2009 on that basis shows that there is now a surplus of £224,000 on the fund. The estimate of the values of the assets and liabilities of the scheme (closed to new members since 1 January 2000 and closed to future accruals since 31 March 2007) is given in Note 9(b) to these accounts. All permanent Academy staff are now in a defined contribution pension scheme.

Signed on behalf of the Finance and Audit Committee 13 May 2009

F C Price OBE FEng,
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 3 Carlton House Terrace, London SW1Y 5DG.

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 100 Victoria Embankment London EC4Y 0DH
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 issues of strategy and policy and also matters referred to it by the Standing Committees for Finance and Audit, Research and Secondment Schemes, Engineering Policy, Education & Training, International, Awards, External Affairs, Membership and Proactive Membership most of which also meet four times per year.

All Council members and other Fellows who take part in Academy activities give their time freely, no remuneration was paid in the year beyond the reimbursement of reasonable expenses. 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 FEng FRS
Immediate Past President (<i>ex officio</i>)	Lord Broers FEng HonFMedSci FRS
Senior Vice President	Professor R J Mair FEng FRS (from 7.7.08) Professor Dame Wendy Hall CBE FEng (until 7.7.08)
Vice Presidents	Dr D Grant CBE FEng Professor Dame Julia Higgins DBE FEng FRS (from 7.7.08) Dr S E Ion OBE FEng (until 7.7.08) Professor J D Perkins CBE FEng Mr P Saraga OBE FEng Professor C M Snowden FEng FRS (from 7.7.08) Dr R S Steedman FEng Professor R A Williams OBE FEng (until 7.7.08)
Honorary Treasurer	Mr F C Price OBE FEng
Hon Secretary for International Activities	Mr P Saraga OBE FEng
Hon Secretary for Education & Training	Dr D Grant CBE FEng

ORDINARY COUNCIL MEMBERS

Mr M A Brinded CBE FEng	Dr I D Nussey OBE FEng (until 7.7.08)
Sir David Brown FEng	Dr G G T Masterton OBE FEng (from 7.7.08)
Mr R G Dodds FEng	Professor J V McCanny CBE FEng FRS (from 7.7.08)
Dr C J Elliott FEng (from 7.7.08)	Mr R L Olver FEng
Professor P J Gregson FEng (until 7.7.08)	Dr M Shears CBE FEng (until 7.7.08)
Mr T M Hill FEng	Professor M Walker FEng (from 7.7.08)
Mr C G Hodge FEng (until 7.7.08)	Mr P T Warry FEng
Professor A Hopper CBE FEng FRS	Dr P Watson OBE FEng
Dr M G J W Howse OBE FEng	Professor S J Young FEng
Professor R Holdaway FEng (until 7.7.08)	

EX OFFICIO COUNCIL MEMBERS

Chair, Membership Committee	Sir John O'Reilly FEng (from 7.7.08)
	Professor M J H Sterling FEng (until 7.7.08)
Chair, Proactive Membership Committee	Dr I D Nussey OBE FEng (from 7.7.08)

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: mechanical, civil, electrical, process and IT. 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 OBE FREng (Chair and Honorary Treasurer)
Mr R G Dodds FREng
Mr T M Hill FREng
Dr P Watson OBE FREng

Dr M G J W Howse OBE FREng (from 7.7.08)
Dr I D Nussey OBE FREng (until 7.7.08)
Professor S J Young FREng

The Finance and Audit Committee comprises 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, Strategy and Planning	Mr K Davis
Director, Education Affairs	Dr R W Ditchfield
Director, Education Programmes	Professor M Harrison
Director, Policy and Public Affairs	Ms B Parkin
Director, Development	Ms S Philbrick

Report of Council

Objectives and Activities for the public benefit

Strategic Objectives

As stated in its Strategic Plan, the Academy has focused its efforts on the achievement of four strategic objectives 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.

In pursuing these objectives, the Academy aims to move engineering to the centre of society, and to demonstrate the contribution made by engineers and engineering to the health and wellbeing of society in the UK and beyond. The Council confirms that it has referred to the guidance contained in the Charity Commission's general guidance on public benefit, both when reviewing the Academy's aims and objectives and also in planning future activities.

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"

Main public benefits – to improve the quality of public debate and promoting engineering role models by (a) engaging the public on technological issues to enable better decision making on matters of public policy, and (b) inspiring young people to take up engineering by honouring role models.

- Conduct a programme of events on topics of strategic importance to the UK;
- 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.
- 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.

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

Main public benefits – to meet the needs of the UK economy and society by (a) encouraging young people to study engineering, (b) enabling and supporting young people from underrepresented groups to study engineering (c) improving the quality of teaching of science and engineering in schools.

- Develop the Best Engineering Education Programme to be the pre-eminent national scheme for engineering education curriculum enrichment;
- Operate the Best Programme 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"

Main public benefits – to develop the health and wellbeing of the UK by (a) improving the wealth generation of the UK economy by supporting high quality research in engineering, (b) facilitating links between industry and the universities to translate innovative research into economic success, and (c) enhancing the links between UK researchers and other international centres of excellence.

- 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”

Main public benefits – to ensure that engineering is recognised as central to the development of society by (a) achieving a Fellowship which volunteers its experience and wisdom and which is representative of society at large in terms of its gender and ethnic composition, and (b) providing a national forum for engineering based on the Academy’s building.

- Develop the Academy as a national forum for engineering;
- Seek more Fellows from SMEs 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;
- Develop and improve as many activities as possible using IT;
- Enhance the skills 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 Prince Philip Medal was awarded to Mr Ron Dennis, Chief Executive of McLaren Group;
- The MacRobert Award for Engineering Innovation for 2008 was won by Touch Bionics for its i-LIMB prosthetic hand;
- Silver Medals were awarded to Dr Barbara Lane, Mr Paul Westbury FEng, Dr Adrian Travis and Mr Kenneth Innes;
- The Sir Frank Whittle Medal was awarded to Mr Peter Head OBE FEng;

- The Sustained Achievement Medal was awarded to Dr Adam Neville CBE FEng FRSE;
- The Sir George Macfarlane Award was awarded to Ms Rosie Clark;
- The International Medal was awarded to Professor Xu Kuangdi FEng, President of the Chinese Academy of Engineering;
- The Academy provided written responses and advice on 32 issues to Parliamentary, Government and other national bodies on a range of engineering topics;
- Studies and initiatives completed or underway include or relate to:
 - Synthetic biology
 - Geothermal heat
 - Severn Barrage
 - Philosophy of engineering
 - Engineering ethics
 - Engineering values in IT
 - The future of ICT competitiveness
 - Making the most of workplace wisdom
 - Nuclear skills
 - Education for Enterprise
 - Diversity programme
- *Ingenia* magazine circulation at 11,000 reached about 30,000 readers and its web site averaged 13,000 visits per month.
- The web site <http://raeng.tv> was launched to provide worldwide access to the Academy’s key lectures and briefings.
- *Ingenious* Programme – 13 Public Engagement Awards and one Public Engagement Fellowship.

“To attract more people to a wider range of engineering careers”

- Achievements in the engineering education programmes were as follows:
 - **Engineering Education Scheme** – 1,828 school students participated;
 - **Headstart** – over 2,000 sixth form students participated at 30 universities;
 - **Engineering Leadership Advanced Awards** – 29 awards;
 - **Engineering Leadership Standard Awards** – 250 students participated;
 - **Year in Industry** – 589 students participated;
 - **Young Engineers Clubs** – over 27,000 students in 1,800 clubs participated;
 - **Smallpeice Trust Schemes** – 15,245 students attended events;

Report of Council

- **Sainsbury Management Fellowships in Engineering** – 10 awards
 - **Sainsbury Management Fellowships in the Life Sciences** – three awards
 - **Panasonic Trust Awards for masters' courses in modern engineering disciplines** – 74 awards
 - **Panasonic Trust Project Presentation Prize** – three awards;
 - **Sir Angus Paton Bursary** – one award;
 - **ERA Foundation Research Student Development Fellowships** – four awards;
 - **Shape the Future STEPS at Work** - 1,100 STEM teachers participated;
 - **The Go4SET applied learning programme** – 1,500 students participated;
 - **ExxonMobil Excellence in Engineering Teaching Awards** – five awards.
- The London Engineering Project aims to encourage participation in engineering higher education from under-represented social and ethnic groups. During the year some 10,000 students participated.
 - The Academy supported the Big Bang 2009, the inaugural celebration of UK engineering and science. It attracted thousands of young people aged 11 to 19.

“To enhance the contribution of engineering to raising the UK’s innovation performance”

- The Academy continued to work with a number of related bodies including:
 - The G15 Group which represents all the engineering institutions;
 - The Engineering and Technology Board;
 - The Engineering Council UK;
 - 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).
- Achievements in programmes funded by Parliamentary Grant-in-Aid were as follows:
 - **Personal Research Chairs and Senior Research Fellowships** - 34 in post;
 - **Research Chair in Emerging Technology** – awarded to Professor Anne Neville, University of Leeds;

- **Global Research Awards** – 15 awards;
- **Research Fellowships** – 55 in post plus 11 posts with appointments pending;
- **Industrial Secondment Scheme** – 16 awards;
- **Newton International Fellowships** – 13 engineers appointed;
- **Visiting Professorships in the Principles of Engineering Design** – 55 in post;
- **Visiting Professorships in Engineering Design for Sustainable Development** – 14 in post;
- **Visiting Professorships in Integrated System Design** – 28 in post;
- **Visiting Professorships in Design and Innovation** – five in post;
- **Visiting Professorships in Building Engineering Physics** – four in post;
- **Visiting Teaching Fellowships** – 14 in post;
- **International Travel Grants** – 702 awards;
- **Engineering Professional Development Awards** – 62 awards involving 1,496 engineers;
- **Distinguished Visiting Fellowships** – 26 awards;
- **Research Exchanges with China and India** – 21 awards.

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

- At the AGM on 7 July 2008, 44 new Fellows, four Honorary Fellows and six International Fellows were elected.
- The Campaign Board, chaired by Sir John Parker FREng, progressed the Making Things Better Campaign. The objectives are to raise funds to create a forum for engineering excellence at 3 Carlton House Terrace, and to create an endowment for education and engagement activities.
- The Proactive Membership Committee began its activities during the year. The aim is to identify nominations for Fellowship from underrepresented groups such as women engineers and engineers working in small and medium sized enterprises;
- The Proactive International Fellowship Group was started with the aim of identifying suitable candidates to become active International Fellows;
- Design work continued on the overall plan for 3 Carlton House Terrace with the aim of creating a forum for engineering in the UK.

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 £17.3 million. Total income increased by 9% over the previous year.

GRANT-IN-AID

The Academy is grateful to the Department for Innovation, Universities and Skills for providing Parliamentary Grant-in-Aid to support activities aimed primarily at promoting engineering research in the UK. Grant-in-Aid at £10.3 million was the largest contribution to funds and represented 59% 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 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 £640,000 during the year, and the Higher Education Funding Council for England provided £1,189,000 to support the London Engineering Project.

OTHER GRANTS AND CONTRACTS

Income from other grants and contracts totalled £3 million of which: the Engineering and Physical Sciences Research Council provided £1.7 million for the Research Fellowship programme; and the Department for Children, Schools and Families provide £315,000 for the Bloodhound Education Programme. In addition, as a result of the Making Things Better Campaign, BAE Systems has generously provided a multi-year grant with the first £260,000 instalment to be applied in the coming year.

DONATIONS

During the year the Gatsby Charitable Foundation provided £250,000 for education and engagement activities. The Academy also received donations of £55,000

earmarked for specific programmes, plus £67,000 in gifts which were added to the Building Development Fund.

OTHER INCOME

Other major sources of income during the year were: investment, rental, subscription and facilities hire income at a total of £1.8 million (10% of total incoming resources).

CHARITABLE ACTIVITIES

Expenditure on charitable activities was £16.6 million during the year or 97% of total resources expended. Of this total, £12.7 million represented charitable activities and grants paid under various programmes, £3.4 million represented the costs of operating those programmes, and £0.5 million represented the development costs of 3 Carlton House Terrace.

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 £338,000 or 2% of total resources expended. The Academy is continuing with major fundraising activity aimed at obtaining funds for developing 3 Carlton House Terrace as a forum for engineering excellence, and also to create an endowment fund for education and engagement activities.

GOVERNANCE COSTS

Governance costs comprising audit fees, legal fees and associated support costs amounted to £30,000 or 0.2% of total resources expended.

INVESTMENTS

The investments are held in a single General Fund Portfolio, this 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. The structure of the portfolio is currently 83% UK equities and 17% fixed interest bonds, this allocation is reviewed regularly. During the year the General Fund generated £682,000 of income, however there were realised losses of £1.6 million and unrealised losses of £2.6 million. Over the year as a whole the General Fund performed above its benchmark target.

FIXED ASSETS

Capital expenditure during the year amounted to £18,000. Of this £15,000 was spent on the IT network and £3,000 on other equipment and furniture.

Report of Council

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 funding required 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:

Year ended 31 March		2009	2008
		£000	£000
Total funds per Balance Sheet		14,666	18,661
Deduct:			
Tangible Fixed Assets	Note 10	5,182	5,321
Restricted Funds	Note 16	92	92
Designated Special Funds	Note 16	253	318
Designated Building			
Development Fund	Note 16	600	534
Designated RAEng			
MacRobert Award Fund	Note 16	1,417	1,382
Designated Education			
Support Fund	Note 16	250	-
Pension Fund Charge on Assets	Note 11	1,168	1,168
Free Reserves		5,704	9,846

Council is aware that the current level of free reserves is below the minimum set under the Reserves Policy. With the advice of the Finance and Audit Committee, Council will conduct a review of the level of reserves during the coming year. 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 2,000 grants and awards to organisations and individuals in 2008/09 totalling £9.8 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 London	579,237	20,000	18,800	32,500	-	650,537
2	Oxford University	382,408	-	-	4,600	-	387,008
3	Cambridge University	263,929	20,000	-	29,200	-	313,129
4	University College London	206,817	15,000	17,847	6,600	33,344	279,608
5	Manchester University	232,715	-	11,406	10,000	-	254,121
6	London South Bank University	-	-	-	2,300	224,028	226,328
7	Edinburgh University	192,940	22,500	-	6,700	-	222,140
8	Southampton University	185,777	-	-	7,900	-	193,677
9	INSEAD (France)	-	-	-	-	177,246	177,246
10	Smallpeice Trust	-	-	-	-	173,424	173,424
11	Young Engineers	-	-	-	-	151,106	151,106
12	Sheffield University	134,720	-	-	10,700	-	145,420
13	Strathclyde University	99,824	22,500	13,077	-	-	134,401
14	Leeds University	96,333	-	12,402	6,800	-	115,535
15	Loughborough University	73,983	22,500	8,908	8,300	-	113,691
16	Engineering Development Trust	-	-	-	-	104,198	104,198
17	York University	83,788	-	-	7,200	-	90,988
18	British Association for the Advancement of Science	-	-	-	-	87,571	87,571
19	Bath University	39,997	33,000	-	13,800	-	86,797
20	Surrey University	56,971	15,000	-	8,500	-	80,471
21	Queen Mary College London	70,005	-	-	7,300	-	77,305
22	STEMNET	-	-	-	-	75,780	75,780
23	Newcastle University	39,937	2,500	21,160	8,300	-	71,897
24	Heriot Watt University	63,324	-	-	4,800	-	68,124
25	Birmingham University	6,738	15,000	30,307	7,700	-	59,745
26	Nottingham University	19,425	29,800	-	4,900	-	54,125
27	Glasgow University	29,302	20,000	-	-	-	49,302
28	Sussex University	-	-	-	1,500	46,016	47,516
29	London Business School	-	-	-	-	44,450	44,450
30	Hertfordshire University	-	40,500	-	2,900	-	43,400
31	Cranfield University	18,102	13,500	-	8,600	-	40,202
32	Queens University Belfast	10,536	20,000	-	9,100	-	39,636
33	Liverpool University	13,850	18,000	-	5,600	-	37,450
34	Aberystwyth University	36,779	-	-	500	-	37,279
35	De Montfort University	35,277	-	-	1,100	-	36,377
36	Brightside Trust	-	-	-	-	35,750	35,750
37	Swansea University	33,574	-	-	1,000	-	34,574
38	IMD (Switzerland)	-	-	-	-	34,032	34,032
39	Bristol University	-	20,000	7,200	6,200	-	33,400
40	MIT (US)	-	-	-	-	32,155	32,155
41	Sheffield Hallam University	30,000	-	-	1,500	-	31,500

Report of Council

Amounts in £	Research ¹	Visiting Profs ²	Industrial Sec'mnts	Travel Grants	Educ'n ³	Total
42 UK Resource Centre for Women in SET	-	-	-	-	31,460	31,460
43 Bournemouth University	16,850	-	12,912	900	-	30,662
44 Berkeley University (US)	-	-	-	-	30,145	30,145
45 Royal Institution of Great Britain	30,000	-	-	-	-	30,000
46 Aberdeen University	25,046	-	-	4,700	-	29,746
47 By Design	29,708	-	-	-	-	29,708
48 National Children's Museum	29,650	-	-	-	-	29,650
49 Graphic Science Ltd	28,923	-	-	-	-	28,923
50 AT-Bristol	28,610	-	-	-	-	28,610
	3,224,075	349,800	154,019	231,700	1,280,705	5,240,299

Notes:

1. Research comprises Personal Research Chairs, Senior Research Fellowships, Research Fellowships, Global Research Awards, Distinguished Visiting Fellowships and Public Engagement Awards

2. Visiting Professorships are awarded in the Principles of Engineering Design; Design for Sustainable Development; Integrated System Design and Building Engineering Physics.

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.

	Ordinary Fellows %	Recipients of Grants/Awards %	Staff %
Gender			
Male	98	79	45
Female	2	21	55
Ethnicity¹			
White	98	61	77
Mixed ²	*	2	-
Asian/Asian British	1	8	17
Black/Black British	*	1	3
Chinese/Other Ethnic Group	1	28	3

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;
- Work closely with the major engineering institutions to leverage our collective capacity and expertise.

"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;
- Develop the programme of distinguished visiting fellowships in key disciplines to invigorate UK staff and students and share international best practices;

- Maintain a fully-funded ten-year Research Chair in Emerging Technologies;
- Develop research exchanges with China and India to enhance 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; Visiting Teaching Fellowships; 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 and level of engagement;
- Increase partnerships and networking with stakeholders;
- Develop the new Academy building into a national forum for engineering;
- Encourage diversity in all that we do;
- Widen our reach;
- Ensure sufficient and balanced funding;
- 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 and 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 13 May 2009

Lord Browne of Madingley, President
F C Price OBE, 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 2009 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 regulations made under section 44 of the Charities Act 1993. 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 Department for Innovation, Universities and Skills (DIUS) and the terms upon which DIUS 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 DIUS have been applied in accordance with this Financial Memorandum.

The relationship between The Royal Academy of Engineering and the Department for Schools, Children and Families (DCSF) and the terms upon which DCSF provides funds to the Academy is set out in the Grant Funding Agreement For Bloodhound Education Programme. Our responsibility includes a requirement to report our opinion on whether the funds provided by DCSF have been applied in accordance with this Funding Agreement.

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 2009 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 DIUS 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.

In our opinion the income from DCSF has been properly applied in accordance with the Funding Agreement for the Bloodhound Education Programme.

London 13 May 2009
PKF (UK) LLP Registered Auditors

Statement of Financial Activities

YEAR ENDED 31 MARCH 2009

	Notes	Unrestricted Funds	Restricted Funds	Totals 31 March 2009	Totals 31 March 2008
		£	£	£	£
Incoming Resources					
Incoming Resources from Charitable Activities					
Grants	2	-	10,918,714	10,918,714	10,347,404
Contracts	4	4,686	4,213,154	4,217,840	3,650,827
Incoming Resources from Generated Funds					
Gifts and Donations	5	348,352	23,566	371,918	220,919
Activities for Generating Funds					
Investment Income	6	1,209,539	-	1,209,539	1,239,001
Other Income	6a	544,117	-	544,117	450,071
Total Incoming Resources		2,106,694	15,155,434	17,262,128	15,908,222
Resources Expended					
Costs of Generating Funds					
Fundraising Costs		264,318	-	264,318	219,674
Investment Management Fees		73,838	-	73,838	105,413
		338,156	-	338,156	325,087
Charitable Activities					
Engaging Effectively with the Public	7	603,154	2,196,000	2,799,154	2,437,159
Attracting More People into Engineering	7	65,547	4,026,449	4,091,966	3,517,158
Enhancing the Contribution of Engineering	7	-	8,336,985	8,366,985	8,029,835
Developing the Academy	7	812,711	566,000	1,378,711	2,821,310
		1,481,412	15,155,434	16,636,846	16,805,462
Governance Costs	8	30,181	-	30,181	61,294
Total Resources Expended		1,849,749	15,155,434	17,005,183	17,191,843
Net (Outgoing)/Incoming Resources		256,945	-	256,945	(1,283,621)
Net Investment Losses					
Realised Losses on Investments		(1,568,821)	-	(1,568,821)	(693,482)
Unrealised Investment Losses	11	(2,621,756)	-	(2,621,756)	(2,218,345)
Total Investment Losses		(4,190,577)	-	(4,190,577)	(2,911,827)
Actuarial (Losses)/Gains on Defined Benefit Pension Scheme		(62,000)	-	(62,000)	788,000
Net Movement in Funds		(3,995,632)	-	(3,995,632)	(3,407,448)
Fund Balances Brought Forward 1 April		18,569,062	92,421	18,661,483	22,068,931
Fund Balances Carried Forward 31 March	16,17	14,573,430	92,421	14,665,851	18,661,483

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 2009

	Notes	Year ended 31 March 2009		Year ended 31 March 2008	
		£	£	£	£
Tangible Fixed Assets	10		5,181,927		5,320,517
Investments	11		10,784,689		15,010,379
Current Assets					
Debtors	12	1,099,935		802,263	
Stock	13	17,010		26,569	
Cash at Bank		5,020,797		8,769,323	
Short Term Deposits		6,561,219		446,677	
		12,698,961		10,044,832	
Current Liabilities					
Creditors (amounts falling due within one year)	14a	(12,423,740)		(10,025,745)	
Net Current Assets			275,221		19,087
Creditors (amounts falling due beyond one year)	14b		(1,799,986)		(1,898,500)
Defined Benefit Pension Scheme Asset	9b		224,000		210,000
Net Assets			14,665,851		18,661,483
Charitable Funds:					
Restricted Funds	16		92,421		92,421
Unrestricted Funds					
Special Funds	16		253,458		318,140
Building Development Fund	16		600,921		533,730
RAEng MacRobert Award Fund	16		1,417,123		1,382,057
Education Support Fund	16		250,000		-
General Fund	16	11,828,558		16,125,134	
Pension Fund Surplus	16	224,000		210,000	
			12,052,558		16,335,134
Total Charitable Funds			14,665,851		18,661,483

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 13 May 2009

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

Cash Flow Statement

YEAR ENDED 31 MARCH 2009

	2009 £	2008 £
Reconciliation of Changes in Resources to Net Cash Inflow from Operations		
Net Incoming Resources (as reported)	256,945	(1,283,621)
Less: FRS17 Operating Pension Adjustment	24,000	7,000
Less: Payment to Pension Fund	(100,000)	(100,000)
Less: Income from Interest and Dividends	(1,209,539)	(1,239,001)
Depreciation Net of Disposals	156,365	87,294
(Increase)/Decrease in Debtors	(297,672)	164,510
Increase in Short Term Creditors	2,397,995	2,964,704
(Decrease)/Increase in Long Term Creditors	(98,514)	1,898,500
Decrease in stock	9,559	314
Net Cash Inflow from Operating Activities	1,139,139	2,499,700

Cash Flow Statement

Net Cash Inflow from Operating Activities	1,139,139	2,499,700
Returns on Investments (Note 1)	1,209,539	1,239,001
Capital Expenditure and Financial Investment (Note 1)	17,337	(3,446,046)
Increase in Cash	2,366,015	292,655

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

Increase in Cash in the Period	2,366,015	292,655
Net Cash at 1 April	9,216,000	8,923,345
Net Cash at 31 March	11,582,015	9,216,000

NOTES TO THE CASH FLOW STATEMENT

Note 1 - GROSS CASH FLOWS

Returns on investments

Dividends Received	602,913	641,533
Income from Fixed Interest Bonds	60,690	104,399
Interest Received net of Interest Paid	545,936	493,069
	1,209,539	1,239,001

Capital expenditure and financial investment

Purchase of Tangible Fixed Assets	(17,775)	(5,335,754)
Purchase of Investments	(4,194,110)	(4,477,344)
Proceeds from Sale of Investments	4,229,222	6,367,052
	(17,337)	(3,446,046)

Note 2 - ANALYSIS OF CHANGES IN NET CASH

Cash in hand plus bank deposits

As at 1 April	9,216,000	8,923,345
Cash Flows	2,366,015	292,655
As at 31 March	11,582,015	9,216,000

Notes to the Accounts

For the Year Ended 31 March 2009

NOTE 1 – ACCOUNTING POLICIES

(a) Basis of Preparation of the Accounts

The annual report, incorporating the financial statements for the year ended 31 March 2009, 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 five years

Computer equipment

– over three years

Leasehold cost

– over term of lease

(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 to future accrual 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 2009

	Unrestricted Funds	Restricted Funds	Totals 31 March 2009	Totals 31 March 2008
	£	£	£	£
Note 2 – Grants				
Parliamentary Grant-in-Aid ³	-	10,279,000	10,279,000	9,752,000
Engineering Education Programme (Best)	-	639,714	639,714	595,404
	-	10,918,714	10,918,714	10,347,404
Note 3 – Parliamentary Grant-in-Aid				
Grant in Aid was expended on:				
External Projects	-	7,496,000	7,496,000	7,044,000
Cost of Managing External Projects	-	2,783,000	2,783,000	2,708,000
	-	10,279,000	10,279,000	9,752,000
Note 4 – Contracts				
EPSRC	-	1,664,967	1,664,967	1,353,736
London Engineering Project	-	1,189,257	1,189,257	1,378,627
Bloodhound Education Programme	-	315,000	315,000	-
Best Support	-	221,780	221,780	226,409
Engineers for Enterprise	-	126,300	126,300	-
Leverhulme	-	108,018	108,018	242,099
Policy Support (Gatsby)	-	100,000	100,000	-
Engineering Diploma Project	-	85,000	85,000	170,416
Building Engineering Physics	-	83,000	83,000	55,000
Engineering Education Scheme (Wales)	-	77,000	77,000	-
Africa-UK Engineering Development Partnership	-	75,000	75,000	-
Tribal Education Scheme	-	64,837	64,837	-
ExxonMobile HESS	-	55,000	55,000	60,000
RSDf Elster	-	32,995	32,995	-
DCSF Support	-	12,000	12,000	5,000
Barrow Engineering Project	-	3,000	3,000	40,000
Discontinued Projects	-	-	-	105,500
Other Contracts	4,686	-	4,686	14,040
	4,686	4,213,154	4,217,840	3,650,827
Note 5 – Gifts and Donations				
Development Appeal	66,560	-	66,560	169,316
Education Support Gift	250,000	-	250,000	-
Other Donations	31,792	23,566	55,358	51,603
	348,352	23,566	371,918	220,919
Note 6 – Investment Income				
Dividends from Equity Investments	602,913	-	602,913	641,533
Income from Fixed Interest Bonds	60,690	-	60,690	104,399
Interest on Bank Deposits	545,936	-	545,936	493,069
	1,209,539	-	1,209,539	1,239,001

Notes to the Accounts

Year Ended 31 March 2009

	Unrestricted Funds	Restricted Funds	Totals 31 March 2009	Totals 31 March 2008
	£	£	£	£
Note 6a - Other Income				
Conferences and Events	162,359	-	162,359	117,723
Academy Internal Events	1,468	-	1,468	1,404
Subscription Income	201,056	-	201,056	188,634
Advertising Income & Sale of Ties	43,262	-	43,262	47,172
Facilities Income	135,972	-	135,972	95,138
	544,117	-	544,117	450,071

	Engaging effectively with the public £	Attracting more people into engineering £	Enhancing the contribution of engineering £	Developing the Academy £	Total 31 March 2009 £	Total 31 March 2008 £
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Note 7 – Charitable Activities

Unrestricted

Charitable Activities	423,614	4,913	-	79,239	507,766	407,061
Charitable Grants	-	60,634	-	-	60,634	82,000
Staff Costs	139,801	-	-	191,057	330,858	187,328
Accommodation Costs	-	-	-	-	-	12,944
Other Support Costs	39,739	-	-	55,677	95,416	54,329
3 Carlton House Terrace Costs:						
- Acquisition and Disposal	-	-	-	-	-	515,647
- Relocation and Refurbishment	-	-	-	-	-	999,522
- Development Costs	-	-	-	486,738	486,738	517,492
	603,154	65,547	-	812,711	1,481,412	2,776,323

Restricted

Charitable Activities	592,000	1,843,235	-	-	2,435,235	2,391,228
Charitable Grants	429,000	1,537,614	7,770,985	-	9,737,599	8,643,668
Staff Costs	1,093,925	601,054	554,876	-	2,249,855	2,204,204
Accommodation Costs	-	-	-	538,271	538,271	580,000
Other Support Costs	81,075	44,546	41,124	27,729	194,474	210,039
	2,196,000	4,026,449	8,366,985	566,000	15,155,434	14,029,139
Total Charitable Activities	2,799,154	4,091,996	8,366,985	1,378,711	16,636,846	16,805,462

	2009	2008
	£	£
Note 8 - Governance Costs		
Auditors fees:		
- Audit	17,365	17,038
- Other Services	3,548	-
Legal and Professional Fees	9,268	44,256
	30,181	61,294

Note 9 - Staff and Pensions Costs

(a) Staff Costs Analysis

Gross Salaries	2,192,314	1,964,253
Employers National Insurance	241,901	213,018
Benefits in Kind	18,533	15,168
Pension Charge	239,550	236,739
Other Staff Costs (including Recruitment, Temporary staff)	243,774	249,336
	2,936,072	2,678,514

Average number of staff in the year by activity:	Number	Number
- Education Affairs	17	16
- Strategy and Planning Affairs	15	14
- Communications and External Affairs	9	10
- Executive, Development, Finance and Administration	16	16
	57	56

No remuneration is paid to the President or members of the Council of the Academy. Travelling expenses to attend Council meetings were reimbursed to 7 Council members in 2008/09 amounting to £1,708 (2007/08 £2,868). Travelling expenses to attend other meetings on behalf of the Academy in the UK and overseas were reimbursed to 9 Council members in 2008/09 amounting to £10,729 (2007/08 £7,401). 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 2009 The Royal Academy of Engineering contributed £2,500 (year to 31 March 2008 £20,111) to Imperial College as contribution to the cost of the Chair.

	2009	2008
The emoluments of higher paid staff within the following scales were:	Number	Number*
£60,001 – £70,000	1	4
£70,001 – £80,000	4	-
£80,001 – £90,000	1	-
£110,001 – £120,000	-	1
£140,001 – £150,000	1	-

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

*Note: There were resignations and appointments among higher paid staff during the year.

Notes to the Accounts

Note 9(b) - Pensions

The Academy operates a Final Salary defined benefit pension scheme. No benefits have accrued since 31 March 2007. Pension benefits for deferred members are based on the members' final pensionable salaries at date of leaving and service at the date of leaving (or date accrual ceased if earlier). Members who were active as at 31 March 2007 retained the link to pensionable salary at retirement or earlier leaving.

The most recent formal actuarial valuation was carried out as at 1 January 2006. The results have been updated to 31 March 2009 by a qualified independent actuary. The assumptions used were as follows:

	Year Ending 31 March	
	2009	2008
Financial Assumptions	%p.a.	%p.a.
Discount Rate	6.45	6.70
Price Inflation	2.70	3.50
Salary Increases	3.20	4.00
Rate of increases in pensions in payment		
- pre 6 April 1997 pension	3.00	3.00
- 6 April 1997 pension to November 1999 pension	3.20	3.50
- post 30 November 1999 pension	2.60	3.50
Rate of increase for deferred pensioners	2.70	3.50
Expected return on assets (as at year end)	4.64	5.56

The overall expected return on assets assumption of 4.64% as at 31 March 2009 has been derived by calculating the weighted average of the expected rate of return for each asset class. The following approach has been used to determine the expected rate of return for each asset class:

- fixed interest and index-linked UK government securities, current market yields on long dated fixed interest UK government securities;
- equities, allowance for an additional return of 3.25% above that available on long-dated fixed interest UK government securities;
- cash, current Bank of England base rate.

	Year Ending 31 March	
	2009	2008
Demographic Assumptions	%p.a.	%p.a.
Mortality (Pre retirement)	Nil	Nil
Mortality (Post retirement)	PCA00mc(yob)	PA92mc(yob)

The assets of the scheme are invested in a diversified portfolio

	Year Ending 31 March					
	2009		2008		2007	
	Market Value £000s	% of total scheme assets	Market Value £000s	% of total scheme assets	Market Value £000s	% of total scheme assets
Equities*	1,006	27%	918	24%	1,754	46%
Bonds*	-	0%	2,798	73%	1,235	32%
Gilts	2,698	72%	-	0%	-	0%
Cash	27	1%	126	3%	845	22%
Total	3,731		3,842		3,834	
The actual return on assets over the period was	(129)		115			

* In 2008 property was included with equities and gilts and corporates were combined

	Year Ending 31 March	
	2009 £000s	2008 £000s
Reconciliation to the balance sheet:		
Market value of assets	3,731	3,842
Present value of liabilities	3,507	3,632
Surplus/Deficit in the scheme	224	210
Irrecoverable Surplus	-	-
Pension asset recognised in the balance sheet before allowed deferred tax	224	210
Analysis of changes in the value of the scheme liabilities over the year:		
Value of liabilities at start of year	3,632	4,505
Service cost	-	-
Interest cost	241	238
Past service cost	-	-
Benefits paid	(82)	(207)
Actuarial (gains)/ losses	(284)	(904)
Value of liabilities at end of year	3,507	3,632
Analysis of changes in the value of the scheme assets over the year:		
Market value of assets at start of year	3,842	3,834
Expected return on Scheme assets	217	231
Actuarial gain/ (losses)	(346)	(116)
Employer contributions	100	100
Benefits paid	(82)	(207)
Market value of assets at end of year	3,731	3,842
Analysis recognised in profit and loss:		
Analysis of amounts charged to operating profit:		
Current service cost	-	-
Past service cost	-	-
Net (gain)/ loss charged to P&L account	-	-
Analysis of amount charged to other finance income:		
Interest on liabilities	(241)	(238)
Expected return on scheme assets	217	231
Net (charge)/ credit to other finance income	(24)	(7)
Total P&L charges before deduction for tax	24	7
Amounts recognised in Statement of Total Recognised Gains and Losses (STRGL)		
Actuarial gains/ (losses)	(62)	788
Limit on recognition of assets	-	-
Total amount recognised in STRGL	(62)	788

Notes to the Accounts

	Year Ending 31 March				
	2009 £000s	2008 £000s	2007 £000s	2006 £000s	2005 £000s
History of experience gains and losses:					
Market value of scheme assets	3,731	3,842	3,834	3,125	2,416
Value of scheme liabilities	3,507	3,632	4,505	4,408	3,251
Surplus/(Deficit) in the scheme	224	210	(671)	(1,283)	(835)
Gains/(losses) arising on scheme liabilities:					
Due to experience	97	468	13	(105)	(53)
% of liabilities	3%	13%	0%	(2)%	(2)%
Due to change of basis	187	436	215	(785)	(56)
% of liabilities	5%	13%	5%	(18)%	(2)%
Experience gains/(losses):					
Arising on scheme assets	(346)	(116)	(66)	436	92
% of assets	(9)%	(3)%	(2)%	14%	4%

The cumulative amount of actuarial gains and losses recognised in the STRGL (since 2005) is £416,000.

Future funding obligation

The last actuarial valuation of the scheme was performed by the Actuary for the Trustees as at 1 January 2006. The Academy agreed payments to pay off the deficit amounting to £500,000 in the year to 31 March 2007, £100,000 pa in the years to 31 March 2009, and £232,000 pa for the 7 years from 1 April 2009. The employer therefore expects to pay £232,000 to the scheme during the accounting year beginning 1 April 2009.

	Computer Equipment	Office Fixtures & Fittings	Leasehold Improvements	Total
	£	£	£	£

Note 10 – Tangible Fixed Assets

Cost

At 1 April 2008	131,128	90,442	5,310,000	5,531,570
Assets Disposed	(511)	(59,754)	-	(60,265)
Additions	15,482	2,293	-	17,775
At 31 March 2009	146,099	32,981	5,310,000	5,489,080

Depreciation

At 1 April 2008	109,629	52,529	48,895	211,053
Assets Disposed	(511)	(59,754)	-	(60,265)
Charge for Year	15,119	23,898	117,348	156,365
At 31 March 2009	124,237	16,673	166,243	307,153

Net Book Value

At 31 March 2009	21,862	16,308	5,143,757	5,181,927
At 31 March 2008	21,499	37,913	5,261,105	5,320,517

All assets are used for charitable purposes

Note 11 – Investments

Investments are contained in the General Fund Portfolio the objective of which is to generate income whilst preserving the capital value of the portfolio.

	2009 General Fund £	2008 Total Portfolios £
Market Value at 1 April	15,010,379	19,811,915
Add Acquisitions at Cost	4,194,110	4,477,344
Less: Disposals at Book Value	(5,798,044)	(7,060,535)
Net Unrealised Gain on Revaluation at 31 March	(2,621,756)	(2,218,345)
Market Value at 31 March	10,784,689	15,010,379

All investments consist of securities listed on the London Stock Exchange of which fixed interest bonds amounts to approximately £1.8 million in value. Four stocks each represented more than 5% of the portfolio, they were (with values at 31 March 2009): Treasury Stock 3.25% 2011 (£1,251,000), Dechra Pharmaceuticals (£585,000), Royal Dutch Shell (£583,000) and BP plc (£582,000). The Academy has agreed with the Pension Protection Fund a charge on the Treasury Stock 3.25% 2011 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 £	2009 Total £	2008 Total £
Market Value at 1 April	13,283,889	1,726,490	15,010,379	19,811,915
Market Value at 31 March	8,981,219	1,803,470	10,784,689	15,010,379
Cost at 31 March	9,962,061	1,736,370	11,698,431	13,751,393

Notes to the Accounts

	2009 Total £	2008 Total £
Note 12 – Debtors		
Grants and Sponsorship Receivable	805,141	478,702
Prepayments	151,587	180,566
Other Debtors	143,207	142,995
	1,099,935	802,263

Note 13 – Stocks		
Publications, Academy ties, presentation plates and medals	17,010	26,569

Note 14a – Creditors (Amounts falling due within one year)		
Payments in Advance	63,771	187,032
Committed Grants	11,841,191	9,246,922
Subscriptions in Advance	141,275	132,350
Other Creditors	291,693	404,317
Bank Loan	85,810	55,124
	12,423,740	10,025,745

Note 14b – Creditors (Amounts falling due beyond one year)		
Bank Loan*		
- Due within two to five years	343,241	244,883
- Due after five years	1,456,745	1,653,617
Amount due at 31 March	1,799,986	1,898,500

* The Academy has an unsecured loan of £2 million with NatWest, repayable over 20 years, with an interest rate of 1.1% over the bank's base rate being applied.

Note 15 – Future Commitments		
Annual Commitments under Operating Leases		
Maturing between one and five years (Equipment)	26,680	26,680
Maturing after more than five years (Property)	187,500	187,500
	214,180	214,180

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:

- **The Department of Innovation, Universities and Skills (DIUS)** 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.
- **RAEng/EPSC Research Fellowships** are administered by the Academy and funded jointly by the Academy and the Engineering and Physical Sciences Research Council.
- **Higher Education Funding Council for England** provides funds to support the London Engineering Project
- **The Department of Children, Schools and Families (DCSF)** supports the Bloodhound Education Programme and also provide Support for advice on engineering technology within the STEM programme.
- **Gatsby Charitable Foundation** supports Engineering Diplomas and Policy activities.
- **Best Programme** support is funding from various sources to support the marketing and development of the programme.
- **DIUS** supports the Engineering for Enterprise study

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- **Leverhulme Trust** supports senior research fellowships of one year duration.
 - **Building Engineering Physics** which support visiting professorships in construction engineering.
 - **The Africa-UK Engineering Development Partnership** (ICE, Engineers Against Poverty and the South African Academy of Engineering) aims to build engineering institution capacity in Sub-Saharan Africa.
 - **Tribal Education Ltd** provides funds for strategic advice on the STEM programme
 - **ExxonMobil** provides funds for Engineering Teaching Fellowships which support able young university engineering lecturers.
 - **Barrow Engineering Project** is jointly funded with Barrow Council and other local bodies, its aim is to promote engineering in schools and colleges in Barrow-in-Furness.
 - **Ad Hoc Contracts** are awarded by a number of companies for specific programmes each year.

(b) Designated Funds

Special Funds

- 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 **Lloyd's Register Educational Trust Fund** is used to establish an annual Royal Academy of Engineering prestige lecture.
- The **UK Focus Fund** has been closed and the residual balance transferred to the General Fund.
- The **Building Maintenance Fund** is used for major items of building repair and redecoration.

Building Development Fund will be used to develop 3 Carlton House Terrace into a national forum of engineering excellence.

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

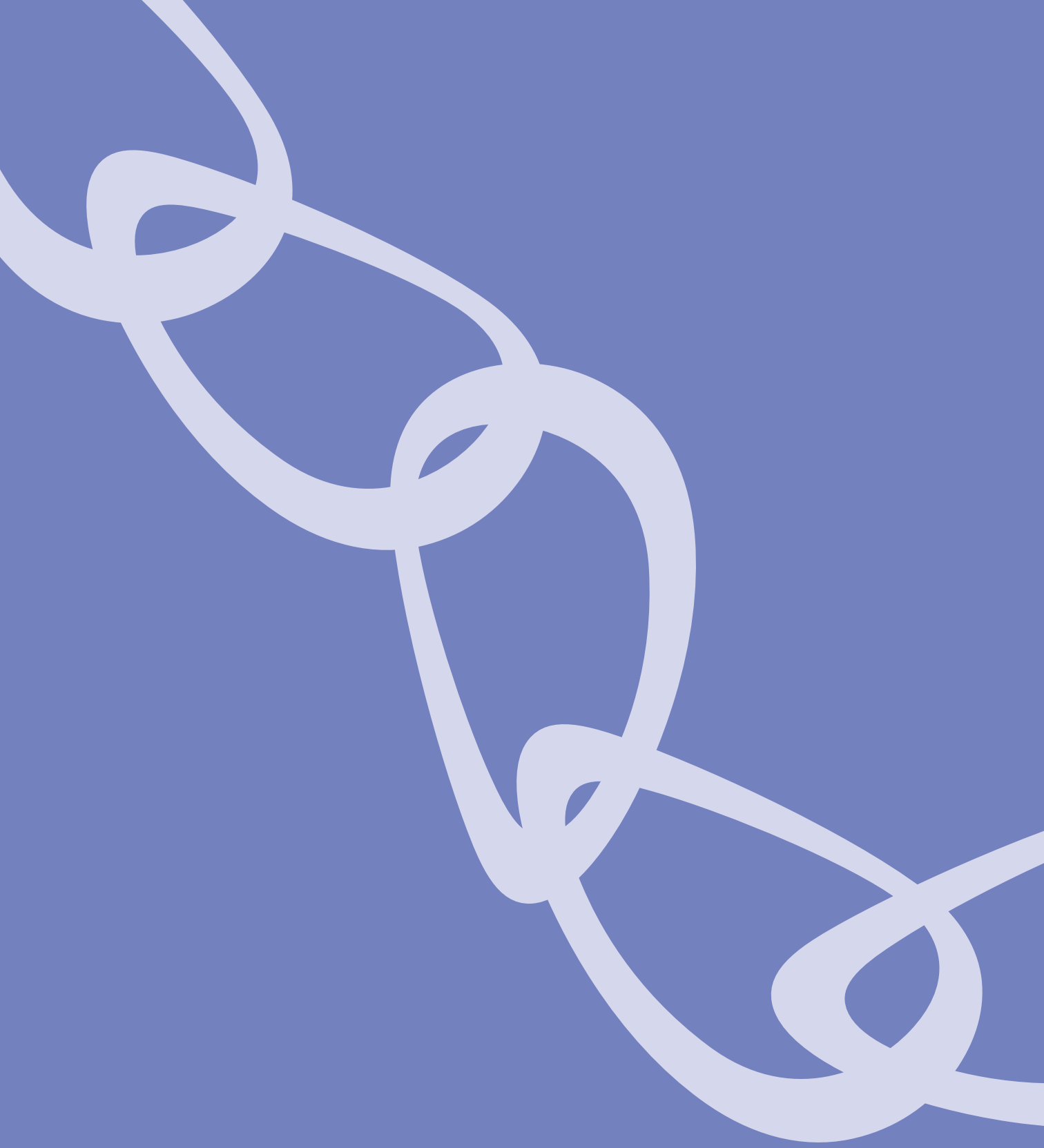
Education Support Fund is a gift from the Gatsby Charitable Foundation to support education and engagement activities.

Notes to the Accounts

	Balance at 1 April 2008 £	Incoming Resources £	Resources Expended £	Tranfers Between Funds £	Net Losses £	Balance at 31 March 2009 £
Restricted Funds						
Grant-in-Aid	-	10,279,000	(10,279,000)	-	-	-
Gatsby Charitable Foundation	-	639,714	(639,714)	-	-	-
RAEng/EPSRC Research Fellowships	-	1,664,967	(1,644,976)	-	-	-
London Engineering Project	-	1,189,257	(1,189,257)	-	-	-
Bloodhound Education Programme	-	315,000	(315,000)	-	-	-
Best Support	-	221,780	(221,780)	-	-	-
Engineers for Enterprise	-	126,300	(126,300)	-	-	-
Leverhulme SRFs	-	108,018	(108,018)	-	-	-
Policy Support (Gatsby)	-	100,000	(100,000)	-	-	-
Engineering Diplomas	-	85,000	(85,000)	-	-	-
Building Engineering Physics	-	83,000	(83,000)	-	-	-
Engineering Education Scheme (Wales)	-	77,000	(77,000)	-	-	-
Africa-UK Engineering Development Partnership	-	75,000	(75,000)	-	-	-
Tribal Education Scheme	-	64,837	(64,837)	-	-	-
ExxonMobil HESS	-	55,000	(55,000)	-	-	-
DCSF Support	-	12,000	(12,000)	-	-	-
Barrow Engineering Project	-	3,000	(3,000)	-	-	-
ExxonMobil Fellowships	75,495	-	-	-	-	75,495
Engineering Leadership Awards	16,926	-	-	-	-	16,926
Ad Hoc Awards	-	56,561	(56,561)	-	-	-
Total Restricted Funds	92,421	15,155,434	(15,155,434)	-	-	92,421
Designated Funds						
<i>Special Funds</i>						
Sir Angus Paton Bequest	109,248	-	(7,000)	7,500	-	109,748
Hinton Bequest	41,296	-	(9,305)	7,500	-	39,491
Lloyd's Register Fund	9,556	-	(4,088)	-	-	5,468
UK Focus Fund	84,289	-	-	(84,289)	-	-
Building Maintenance Fund	73,751	-	-	25,000	-	98,751
<i>Total Special Funds</i>	<i>318,140</i>	<i>-</i>	<i>(20,393)</i>	<i>(44,289)</i>	<i>-</i>	<i>253,458</i>
<i>Building Development Fund</i>	<i>533,731</i>	<i>66,560</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>600,291</i>
<i>RAEng MacRobert Award</i>	<i>1,382,057</i>	<i>-</i>	<i>(54,512)</i>	<i>89,578</i>	<i>-</i>	<i>1,417,123</i>
<i>Education Support Fund</i>	<i>-</i>	<i>250,000</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>250,000</i>
Total Designated Funds	2,233,928	316,560	(74,905)	45,289	-	2,520,872
General Fund	16,125,134	1,790,134	(1,774,844)	(121,289)	(4,190,577)	11,828,558
Pension Fund Surplus	210,000	-	-	76,000	(62,000)	224,000
Total Funds	18,661,483	17,262,128	(17,005,183)	-	(4,252,577)	14,665,851

Note 17 – Analysis of Net Assets between Funds

	Tangible Fixed Assets	Investments	Current Assets	Liabilities/ Pension Asset	Total Net Assets
	£	£	£	£	£
Restricted Funds	-	-	11,933,612	(11,841,191)	92,421
Reserves					
Special Funds	-	-	253,458	-	253,458
Building Development Fund	-	600,291	-	-	600,291
RAEng MacRobert Award Fund	-	1,417,123	-	-	1,417,123
Education Support Fund	-	250,000	-	-	250,000
General Fund	5,181,927	8,767,275	511,891	(2,632,535)	11,828,558
Pension Fund Surplus	-	-	-	224,000	224,000
Total Funds	5,181,927	10,784,689	12,698,961	(13,999,726)	14,665,851



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