



The Royal Academy  
of Engineering

# Financial Report and Accounts

For the year ended 31 March 2010



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# Honorary Treasurer's Statement



## RESULTS FOR THE YEAR

The total income for the year increased by 11% to £19.1 million from £17.3 million in the previous year. The Department for Business, Innovation and Skills (BIS) increased Grant-in-Aid by 18% to £12.1 million.

EPSRC provided £1.6 million in support of RAEng/EPSRC Research Fellowships. HEFCE provided £0.5 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 Project. The Leverhulme Trust provided £0.3 million in support of the Leverhulme Senior Research Fellowships. BAE Systems provided £0.1 million in support of the Engineering Engagement programme.

Income from donations totalled £1.6 million, a significant increase over the previous year, which included donations towards the Carlton House Development Appeal of £1.0 million from His Highness Dr Sheikh Sultan Bin Mohamed Al-Qasimi, Ruler of Sharjah. Income from other sources such as subscriptions, events and facilities hire totalled £0.6 million an increase of 4% over the previous year.

Expenditure on charitable activities increased by 3% to £17.1 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 £17.1 million: 61% was spent on enhancing the contribution of engineering to raising the UK's innovation performance; 18% on attracting more people to a wider range of engineering careers; 16% on engaging more effectively with the public and the public policy process; and 5% on developing the ability of the Academy to make an impact. Staff costs increased by 4% to £3.1 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 revised during the year enabling the main objectives of the project to be achieved at a reduced estimated cost of £6.5 million. Good progress has been made in raising the required level funding but work will not start until the Academy is confident that the whole £6.5 million will be secured.

## INVESTMENTS

The stock market recovered a significant proportion of the value lost in the previous year although bank interest rates fell to and remained at a historically low level. Realised and unrealised investment gains during the year totalled £3.6 million. Approximately 13% of the General Fund portfolio is held in high quality fixed interest stocks. As anticipated, income from dividends and bank interest fell during the year. Dividend payments from equities held in the portfolio fell by 17% to £498,000. Interest on bank deposits decreased by 67% to £178,000. Overall investment income decreased by 38% to £746,000.

## 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 also conducted on treasury policy, reserves policy and management reporting.

## 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 2010 on that basis shows that there is now a surplus of £142,000 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 17 May 2010  
**Dr M G J W Howse OBE FREng,**  
**Honorary Treasurer**

# Report of Council

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## 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

<b>President</b>	Lord Browne of Madingley FEng FRS
<b>Immediate Past President (<i>ex officio</i>)</b>	Lord Broers FEng HonFMedSci FRS
<b>Senior Vice President</b>	Professor R J Mair FEng FRS
<b>Vice Presidents</b>	Professor M Earwicker FEng (from 6.7.09) Dr D Grant CBE FEng Professor Dame Julia Higgins DBE FEng FRS Professor J D Perkins CBE FEng Mr P Saraga OBE FEng (until 6.7.09) Professor C M Snowden FEng FRS Dr R S Steedman FEng (until 6.7.09) Professor Sir William Wakeham FEng (from 6.7.09)
<b>Honorary Treasurer</b>	Mr F C Price OBE FEng (until 6.7.09) Dr M G J W Howse OBE FEng (from 6.7.09)
<b>Hon Secretary for International Activities</b>	Mr P Saraga OBE FEng (until 6.7.09) Professor Sir William Wakeham FEng (from 6.7.09)
<b>Hon Secretary for Education &amp; Training</b>	Dr D Grant CBE FEng

### ORDINARY COUNCIL MEMBERS

Mr M A Brinded CBE FEng (until 6.7.09)	Professor J V McCanny CBE FEng FRS
Sir David Brown FEng (until 6.7.09)	Mr R L Olver FEng (until 6.7.09)
Professor B Cantor FEng (from 6.7.09)	Professor R Parker FEng (from 6.7.09)
Professor D Delpy FEng FMedSci FRS (from 6.7.09)	Mr I Ritchie CBE FEng FRSE (from 6.7.09)
Mr R G Dodds FEng	Professor M Walker FEng
Dr C J Elliott FEng	Mr P T Warry FEng
Mr T M Hill FEng	Dr P Watson OBE FEng
Professor A Hopper CBE FEng FRS	Mr P Westbury FEng (from 6.7.09)
Dr M G J W Howse OBE FEng (until 6.7.09)	Professor J Wood CBE FEng (from 6.7.09)
Dr G G T Masterton OBE FEng	Professor S J Young FEng (until 6.7.09)

### EX OFFICIO COUNCIL MEMBERS

Chair, Membership Committee	Sir John O'Reilly FEng
Chair, Proactive Membership Committee	Dr I D Nussey OBE FEng

# Report of Council

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## **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 were 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 four times 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.

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**MEMBERS OF FINANCE  
AND AUDIT COMMITTEE**

Mr F C Price OBE FREng (Chairman and Honorary Treasurer until 6.7.09)  
Dr M G J W Howse OBE FREng (Chairman and Honorary Treasurer from 6.7.09)  
Mr R G Dodds FREng  
Mr I Ritchie CBE FREng FRSE (from 6.7.09)  
Dr C J Elliott FREng (from 6.7.09)  
Dr P Watson OBE FREng  
Mr T M Hill FREng  
Professor S J Young FREng (until 6.7.09)

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 four times 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 (until 1.9.09)
Director, Finance and Administration	Mr H Beeston (from 1.9.09)
Director, Strategy and Planning	Mr K Davis
Director, Education Affairs	Dr R Ditchfield
Director, Education Programmes	Professor M Harrison
Director, Policy and Public Affairs	Ms B Parkin
Director, Development	Ms S Philbrick

# Report of Council

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## Objectives and Activities for the public benefit

### Strategic Objectives

As stated in its Strategic Plan, the Academy has focussed 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.

- Work with engineering professional organisations to develop a common engineering view on the major technological issues facing society;
- Conduct policy studies on subjects of topical public interest and relevance to the Academy's strategic priorities;
- To develop Education for Engineering (E4E) as the national policy forum for engineering education;
- Respond to requests for information on engineering topics from parliamentary, government and other national bodies;

- Conduct a programme of events on topics of strategic importance to the UK;
- Operate the *Ingenious* programme of Public Engagement Awards to stimulate and provide support for engineers to share their stories, passion and expertise in innovative ways to wider audiences and generate public debate on the societal and ethical issues around engineering;
- Conduct a communications programme to project the Academy's messages via public relations, the publication of *Ingenia* and the development of the Academy's websites;
- 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, and (c) improving the quality of teaching of science and engineering in schools.

- In partnership with Engineering UK, develop Tomorrow's Engineers as the pre-eminent national scheme for engineering education curriculum enrichment;
- Operate *Tomorrow's Engineers* as a true continuum where participants remain engaged year after year, graduating from one scheme to the next;
- Support undergraduates with financial support, mentoring and extra-curricular training to develop their leadership potential. 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;
- Support the UK Young Scientists and Engineers Fair, The Big Bang.

*“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, (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”*

- 20 events were held during the year comprising public lectures, major conferences, technical briefings and other events;
- The MacRobert Award for Engineering Innovation for 2009 was awarded to Arup for the Beijing National Aquatics Centre;
- Silver Medals were awarded to Professor Andrew Livingston FEng, Professor Nicholas Warrior, Dr Rob Buckingham, Mr Andrew Graham and Mr Ian Pratt;
- The Sir Frank Whittle Medal was awarded to Professor Sir Michael Brady FEng FRS;
- The Sustained Achievement Medal was awarded to Sir Bernard Crossland CBE FEng FRS;
- The Sir George Macfarlane Award was awarded to Dr Silvia Schievano;
- The International Medal was awarded to Dr Abdul Kalam, former President of India;
- Education for Engineering (E4E) was launched during the year as the new policy forum for education at the Academy. E4E is the mechanism for the engineering profession to provide a single voice with clear and coherent advice to the UK Government, the devolved assemblies and policymakers on all matters relating to the formation of the future engineering workforce;
- *Engineering the future*, an alliance of the Academy with professional engineering organisations, was established during the year. This has created a unified voice for engineering on policy issues and will assist greatly the addressing of the great technological challenges of the 21st century;
- The Academy provided written responses and advice on 17 issues to Parliamentary, Government and other national bodies on a range of engineering topics;
- Studies and initiatives completed or underway include or relate to:
  - Generating the Future: UK energy systems fit for 2050
  - Solar thermal power plants
  - Synthetic biology
  - Geothermal energy
  - Autonomous systems
  - Extreme flooding
  - Engineering graduates for industry
  - Diversity in Engineering;
- *Ingenia* magazine circulation at 11,300 reached about 30,000 readers and its website averaged 18,000 visits per month.

# Report of Council

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- *Ingenious* Programme – 16 Public Engagement Awards;
- The Academy had provided the secretariat for the Associate Parliamentary Engineering Group for several years. However, following the retirement of its chairman Bill Olnier MP at the 2010 General Election, the group will be dissolved and its work taken on by the Parliamentary and Scientific Committee.

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

- Achievements in the engineering education programmes were as follows:
    - **Engineering Leadership Advanced Awards** – 29 awards;
    - **Engineering Leadership Standard Awards** – 1,993 students participated;
    - **Executive Engineers Programme** – 41 graduate engineers participated;
    - **Sainsbury Management Fellowships in Engineerings** – 10 awards;
    - **Petrofac/Royal Academy of Engineering Fellowships for the Enhanced Graduate Engineer** – three awards;
    - **Panasonic Trust Awards for masters’ courses in modern engineering disciplines** – 85 awards;
    - **Sir Angus Paton Bursary** – one award;
    - **ExxonMobil Excellence in Engineering Teaching Awards** – five awards.
  - The Academy supported The Big Bang 2010, the second annual UK Young Scientists and Engineers Fair. The Big Bang was held in Manchester and more than 22,500 people attended this year’s fair, a threefold increase over last year’s inaugural fair;
  - The *Tomorrow’s Engineers* programme was formed during the year in partnership with EngineeringUK. *Tomorrow’s Engineers* covers all the schools programmes of the Best Programme, and brings together: Primary Engineers, Young Engineers, the Smallpeice Trust, the Engineering Development Trust, the Industrial Trust, the Engineering Education Scheme Wales, Sentinus, and the Young Engineers and Science Clubs (Scotland);
  - The Best Programme will from now on cover those activities aimed at engineering undergraduates and postgraduates: the Engineering Leadership Scheme, the Executive Engineers Scheme, and the Sainsbury Management Fellowship Scheme.
- ## *“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);
    - The Africa-UK Engineering for Development Partnership was launched in South Africa on 16 March 2010;
    - Council of Academies of Engineering and Technological Sciences (CAETS), including participation in the 18th CAETS Convocation.
  - Achievements in programmes funded by Parliamentary Grant-in-Aid were as follows:
    - **Personal Research Chairs and Senior Research Fellowships** - 35 in post;
    - **Research Chair in Emerging Technology** – one in post;
    - **Global Research Awards** – 27 awardees;
    - **Research Fellowships** – 59 in post plus 10 posts with appointments pending;
    - **Industrial Secondment Scheme** – 16 awards;
    - **Newton International Fellowships** – 13 engineers appointed;
    - **Visiting Professorships in the Principles of Engineering Design** – Posts at 33 universities;
    - **Visiting Professorships in Engineering Design for Sustainable Development** – Posts at 13 universities;
    - **Visiting Professorships in Integrated System Design** – Posts at 23 universities;
    - **Visiting Professorships in Design and Innovation** – Posts at nine universities;
    - **Visiting Professorships in Building Engineering Physics** – four in post;
    - **Visiting Teaching Fellowships** – Posts at 16 universities;
    - **International Travel Grants** – 752 awards;
    - **Engineering Professional Development Awards** – 53 awards involving 1,253 engineers;
    - **Distinguished Visiting Fellowships** – 29 awards;
    - **Research Exchanges with China and India** – 33 awards.

- Achievements in other programmes were as follows:
  - **Leverhulme Trust Senior Research Fellowships** – seven awards;
  - **Shell/Royal Academy of Engineering Visiting Teaching Fellows** – five in post.

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

- At the AGM on 6 July 2009, 36 new Fellows, four Honorary Fellows and three International Fellows were elected;
- The Development Campaign Board, chaired by Sir John Parker FREng, has continued to play a major role in spearheading fundraising initiatives during the year. The public launch of the campaign under the title ‘Making Things Better’ took place in March 2010. The campaign aims to raise £16.5 million: £10 million for Education and Engagement activities and £6.5 million to create a Forum for Engineering in the Academy’s building;
- The Proactive Membership Committee continued its activities during the year. Current objectives include identifying more women engineers and increasing the balance of nominations from industry-based engineers;
- The Proactive International Fellowship Group (PIFG) continued its work during the year with the remit to enhance the pool of candidates nominated for International Fellowship. It focuses its efforts on outstanding candidates, from a range of backgrounds, who are likely to engage actively with the Academy and who can provide links to strategic priority countries;
- Design work continued on the overall plan for 3 Carlton House Terrace with the aim of creating a forum for engineering in the UK. In light of the experience of using the building gained since October 2007, the Forum project was de-scoped. The major change being to move the site of a major new lecture theatre from the basement to the second floor. This and other changes reduced the estimated cost of the project from £15 million to £6.5 million.

## 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 £19.1 million. Total income increased by 11% over the previous year.

#### GRANT-IN-AID

The Academy is grateful to the Department for Business, Innovation and Skills for providing Parliamentary Grant-in-Aid to support activities aimed primarily at promoting engineering research in the UK. Grant-in-Aid at £12.1 million was the largest contribution to funds and represented 63% of total incoming resources.

#### ENGINEERING EDUCATION PROGRAMMES

The Academy’s Engineering Education Programmes aim to improve engineering education from school through to postgraduate and professional development. BAE Systems made a £116,000 contribution during the year to provide continuing professional development for Design & Technology teachers and the work of engineers in and around the classroom. The Gatsby Charitable Foundation provided £49,000 to support teachers delivering the 14-19 Diploma in Engineering and Shell provided £95,000 for the development of high-calibre engineering undergraduates. HEFCE provided £70,000 to support engineering in higher education through the National HE STEM Programme. Several other contributions were also received.

#### GRANTS AND CONTRACTS

Income from other grants and contracts totalled £3.7 million of which: the Engineering and Physical Sciences Research Council provided £1.6 million for the Research Fellowship programme; and the Department for Children, Schools and Families provide £300,000 for the Bloodhound Education Programme.

#### DONATIONS

During the year His Highness Dr Sheikh Sultan Bin Mohamed Al-Qasimi, Ruler of Sharjah made a £1 million donation to the Carlton House Terrace Development Fund. Donations were also made by Fellows, other individuals, charitable trusts and companies.

# Report of Council

## OTHER INCOME

Other major sources of income during the year were: investments, subscriptions, events and facilities hire income at a total of £1.3 million (7% of total incoming resources).

## CHARITABLE ACTIVITIES

Expenditure on charitable activities was £17.1 million during the year or 98% of total resources expended. Of this total, £13.5 million represented charitable activities and grants paid under various programmes and £3.6 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 £383,000 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, and also education and engagement activities.

## GOVERNANCE COSTS

Governance costs comprising audit fees, legal fees and associated support costs amounted to £40,000 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 87% UK equities and 13% fixed interest bonds, this allocation is reviewed regularly. During the year the General Fund generated £568,000 of income and there were realised gains of £0.4 million and unrealised gains of £3.2 million. Over the year as a whole the General Fund performed in line with its benchmark target.

## FIXED ASSETS

Capital expenditure during the year amounted to £17,000. Of this £15,000 was spent on the IT network and £2,000 on other equipment and furniture.

## Reserves Policy

The Finance and Audit Committee has considered the level of reserves as part of the quarterly 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 £6 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:

<b>Year ended 31 March</b>	<b>2010</b>	<b>2009</b>	
	<b>£000</b>	<b>£000</b>	
Total funds per Balance Sheet	19,650	14,666	
Deduct:			
Tangible Fixed Assets	Note 10	5,063	5,182
Restricted Funds	Note 16	1,673	92
Designated Special Funds	Note 16	232	253
Designated Building			
Development Fund	Note 16	460	600
Designated RAEng			
MacRobert Award Fund	Note 16	1,434	1,417
Designated Education			
Support Fund	Note 16	215	250
Pension Fund Charge on Assets	Note 11	1,168	1,168
<b>Free Reserves</b>	<b>9,405</b>	<b>5,704</b>	

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 2009/10 totalling £11.7 million. The first 50 organisations, in order of the total amount of cash paid to recipients, are listed below.

Amounts in £		Research <sup>1</sup>	Visiting Profs <sup>2</sup>	Industrial Sec'mnts	Travel Grants	Educ'n <sup>3</sup>	Total
1	Imperial College London	610,556	10,000	39,664	40,000	-	700,220
2	Oxford University	357,711	-	-	4,000	-	361,711
3	University College London	275,794	2,500	-	7,800	33,344	319,438
4	Edinburgh University	286,382	2,500	-	7,000	-	295,882
5	Sheffield University	99,766	25,000	23,469	133,300	-	281,535
6	Leeds University	225,245	-	11,906	11,400	-	248,551
7	Southampton University	188,293	-	22,000	15,900	-	226,193
8	London South Bank University	-	2,500	-	500	214,590	217,590
9	Cambridge University	132,410	45,000	-	11,000	-	188,410
10	INSEAD (France)	-	-	-	-	175,440	175,440
11	Surrey University	138,235	15,000	12,361	5,900	-	171,496
12	Bath University	76,778	60,500	-	12,700	-	149,978
13	Glasgow University	99,524	20,000	-	7,700	-	127,224
14	Young Engineers	-	-	-	-	120,306	120,306
15	Manchester University	80,287	-	15,145	8,800	-	104,232
16	Strathclyde University	23,779	40,500	13,775	14,800	-	92,854
17	Heriot Watt University	84,919	-	-	6,900	-	91,819
18	London Business School	-	-	-	-	91,000	91,000
19	Bristol University	-	63,000	19,500	6,700	-	89,200
20	Liverpool University	37,163	38,000	-	8,700	-	83,863
21	STEMNET	-	-	-	-	81,183	81,183
22	Cranfield University	25,946	41,500	-	11,100	-	78,564
23	Queen Mary College London	72,988	-	-	4,700	-	77,688
24	Swansea University	75,365	-	-	2,300	-	77,665
25	Engineering UK	-	-	-	-	75,000	75,000
26	Nottingham University	-	37,500	26,599	6,100	-	70,199
27	National Science Learning Centre	-	-	-	-	70,000	70,000
28	Newcastle University	39,507	20,500	-	8,600	-	68,607
29	York University	45,288	10,000	-	11,600	-	66,888
30	Loughborough University	37,092	20,500	-	6,500	2,400	66,492
31	Queens University Belfast	48,863	10,000	-	3,600	-	62,463
32	Warwick University	-	38,000	19,324	5,000	-	62,324
33	Technology Alliance Wales	-	-	-	-	59,680	59,680
34	Sussex University	-	-	-	1,600	46,016	47,616
35	Hertfordshire University	-	40,500	-	3,400	-	43,900
36	British Association for the Advancement of Science	-	-	-	-	39,805	39,805
37	Smallpiece Trust	-	-	-	-	32,476	32,476
38	Aberystwth University	30,376	-	-	500	-	30,876
39	City University	-	-	25,000	-	-	25,000
40	SCDI	-	-	-	-	21,000	21,000
41	Plymouth University	-	20,000	-	-	-	20,000

# Report of Council

Amounts in £	Research <sup>1</sup>	Visiting Profs <sup>2</sup>	Industrial Sec'mnts	Travel Grants	Educ'n <sup>3</sup>	Total
42 UK Resource Centre for Women in SET	-	-	-	-	18,876	18,876
43 Open University	-	-	16,131	2,200	-	18,331
44 EESW	-	-	-	-	18,000	18,000
45 Brightside Trust	-	-	-	-	16,250	16,250
46 Engineering Development Trust	-	-	-	-	16,000	16,000
47 Leicester University	-	-	15,000	-	-	15,000
48 Bradford University	-	15,000	-	-	-	15,000
49 Birmingham University	6,738	-	-	8,200	-	14,938
50 De Montfort University	3,920	-	-	3,600	-	7,520
	<b>3,102,925</b>	<b>578,000</b>	<b>259,874</b>	<b>382,100</b>	<b>1,131,366</b>	<b>5,454,265</b>

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 %
<b>Gender</b>			
Male	98	79	48
Female	2	21	52
<b>Ethnicity<sup>1</sup></b>			
White	98	78	79
Mixed <sup>2</sup>	*	1	2
Asian/Asian British	1	6	11
Black/Black British	*	1	3
Chinese/Other Ethnic Group	1	14	5

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"*

- Build further the cooperation with the professional engineering community under the Engineering the Future Programme to leverage our collective capacity and expertise;
- Develop further our overarching public engagement programme;
- Build on growing communications output;
- 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 at undergraduate and post-graduate levels;
- Grow the Tomorrow's Engineers programme (the successor of the school-level Best Programme) with Engineering UK;
- Extend the London Engineering Project through the National HE STEM Programme run by Birmingham University;
- Support our undergraduates;
- Support our teachers.

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

- Seek resources from Government and industry partners to further 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 through improved membership processes and increasing the 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;
- 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Charity law 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;
- Observe the methods and principles in the Charities SORP;
- Make judgments and estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that The 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 the Charities Act 1993 and regulations made thereunder. 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 17 May 2010.

**Lord Browne of Madingley, President**  
**Dr M G J W Howse 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 2010 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 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 the Honorary Treasurer's statement 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 Business, Innovation and Skills (BIS) and the terms upon which BIS 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 BIS 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 2010 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 BIS 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 17 May 2010**  
**PKF (UK) LLP Statutory Auditors**

# Statement of Financial Activities

YEAR ENDED 31 MARCH 2010

	Notes	Unrestricted Funds	Restricted Funds	Totals 31 March 2010	Totals 31 March 2009
		£	£	£	£
<b>Incoming Resources</b>					
<b>Incoming Resources from Charitable Activities</b>					
Grants	2	-	12,471,216	12,471,216	10,918,714
Contracts	4	-	3,669,817	3,669,817	4,217,840
<b>Incoming Resources from Generated Funds</b>					
Gifts and Donations	5	30,942	1,602,120	1,633,062	371,918
<b>Activities for Generating Funds</b>					
Investment Income	6	746,390	-	746,390	1,209,539
Other Income	6a	563,709	-	563,709	544,117
<b>Total Incoming Resources</b>		<b>1,341,041</b>	<b>17,743,153</b>	<b>19,084,194</b>	<b>17,262,128</b>
<b>Resources Expended</b>					
<b>Costs of Generating Funds</b>					
Fundraising Costs		303,255	-	303,255	264,318
Investment Management Fees		79,666	-	79,666	73,838
		382,921	-	382,921	338,156
<b>Charitable Activities</b>					
Engaging Effectively with the Public	7	537,990	2,221,055	2,759,045	2,799,154
Attracting More People into Engineering	7	46,598	3,004,181	3,050,779	4,091,996
Enhancing the Contribution of Engineering	7	-	10,385,109	10,385,109	8,366,985
Developing the Academy	7	364,712	552,000	916,712	1,378,711
		949,300	16,162,345	17,111,645	16,636,846
<b>Governance Costs</b>	8	39,925	-	39,925	30,181
<b>Total Resources Expended</b>		<b>1,372,146</b>	<b>16,162,345</b>	<b>17,534,491</b>	<b>17,005,183</b>
<b>Net (Outgoing)/Incoming Resources</b>		<b>(31,105)</b>	<b>1,580,808</b>	<b>1,549,703</b>	<b>256,945</b>
<b>Net Investment Gains/(Losses)</b>					
Realised Gains/(Losses) on Investments		444,783	-	444,783	(1,568,821)
Unrealised Investment Gains/(Losses)	11	3,195,057	-	3,195,057	(2,621,756)
<b>Total Investment Gains/(Losses)</b>		<b>3,639,840</b>	<b>-</b>	<b>3,639,840</b>	<b>(4,190,577)</b>
Actuarial Losses on Defined Benefit Pension Scheme		(205,000)	-	(205,000)	(62,000)
<b>Net Movement in Funds</b>		<b>3,403,735</b>	<b>1,580,808</b>	<b>4,984,543</b>	<b>(3,995,632)</b>
Fund Balances Brought Forward 1 April		<b>14,573,430</b>	<b>92,421</b>	<b>14,665,851</b>	<b>18,661,483</b>
<b>Fund Balances Carried Forward 31 March</b>	16,17	<b>17,977,165</b>	<b>1,673,229</b>	<b>19,650,394</b>	<b>14,665,851</b>

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 2010

	Notes	Year ended 31 March 2010		Year ended 31 March 2009	
		£	£	£	£
<b>Tangible Fixed Assets</b>	10		5,062,512		5,181,927
<b>Investments</b>	11		14,511,203		10,784,689
<b>Current Assets</b>					
Debtors	12	910,426		1,099,935	
Stock	13	13,400		17,010	
Cash at Bank		2,284,126		5,020,797	
Short Term Deposits		13,428,870		6,561,219	
		<b>16,636,822</b>		<b>12,698,961</b>	
<b>Current Liabilities</b>					
Creditors (amounts falling due within one year)	14a	(15,034,277)		(12,423,740)	
<b>Net Current Assets</b>			<b>1,602,545</b>		<b>275,221</b>
Creditors (amounts falling due beyond one year)	14b		(1,667,866)		(1,799,986)
Defined Benefit Pension Scheme Asset	9b		142,000		224,000
<b>Net Assets</b>			<b>19,650,394</b>		<b>14,665,851</b>
<b>Charitable Funds:</b>					
<b>Restricted Funds</b>	16		1,673,229		92,421
<b>Unrestricted Funds</b>					
<b>Special Funds</b>	16		232,181		253,458
<b>Building Development Fund</b>	16		459,819		600,291
<b>RAEng MacRobert Award Fund</b>	16		1,434,037		1,417,123
<b>Education Support Fund</b>	16		215,153		250,000
<b>General Fund</b>	16	15,493,975		11,828,558	
<b>Pension Fund Surplus</b>	16	142,000		224,000	
			15,635,975		12,052,558
<b>Total Charitable Funds</b>			<b>19,650,394</b>		<b>14,665,851</b>

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 17 May 2010

**Lord Browne of Madingley, President**  
**Dr M G J W Howse OBE, Hon Treasurer**

# Cash Flow Statement

YEAR ENDED 31 MARCH 2010

	2010 £	2009 £
<b>Reconciliation of Changes in Resources to Net Cash Inflow from Operations</b>		
Net Incoming Resources (as reported)	1,549,703	256,945
Less: FRS17 Operating Pension Adjustment	50,000	24,000
Less: Payment to Pension Fund	(173,000)	(100,000)
Less: Income from Interest and Dividends	(746,390)	(1,209,539)
Depreciation Net of Disposals	136,255	156,365
Decrease/(Increase) in Debtors	189,509	(297,672)
Increase in Short Term Creditors	2,610,537	2,397,995
Decrease in Long Term Creditors	(132,120)	(98,514)
Decrease in stock	3,610	9,559
<b>Net Cash Inflow from Operating Activities</b>	<b>3,488,104</b>	<b>1,139,139</b>

## Cash Flow Statement

Net Cash Inflow from Operating Activities	3,488,104	1,139,139
Returns on Investments (Note 1)	746,390	1,209,539
Capital Expenditure and Financial Investment (Note 1)	(103,514)	17,337
<b>Increase in Cash</b>	<b>4,130,980</b>	<b>2,366,015</b>

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

Increase in Cash in the Period	4,130,980	2,366,015
Net Cash at 1 April	11,582,016	9,216,001
<b>Net Cash at 31 March</b>	<b>15,712,996</b>	<b>11,582,016</b>

## NOTES TO THE CASH FLOW STATEMENT

### Note 1 - GROSS CASH FLOWS

#### Returns on investments

Dividends Received	498,235	602,913
Income from Fixed Interest Bonds	69,871	60,690
Interest Received net of Interest Paid	178,284	545,936
	746,390	1,209,539

#### Capital expenditure and financial investment

Purchase of Tangible Fixed Assets	(16,840)	(17,775)
Purchase of Investments	(2,135,909)	(4,194,110)
Proceeds from Sale of Investments	2,049,235	4,229,222
	(103,514)	17,337

### Note 2 - ANALYSIS OF CHANGES IN NET CASH

#### Cash in hand plus bank deposits

As at 1 April	11,582,016	9,216,001
Cash Flows	4,130,980	2,366,015
As at 31 March	15,712,996	11,582,016

# Notes to the Accounts

For the Year Ended 31 March 2010

## NOTE 1 – ACCOUNTING POLICIES

### (a) Basis of Preparation of the Accounts

The annual report, incorporating the financial statements for the year ended 31 March 2010, 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 2010**

		Unrestricted Funds	Restricted Funds	Totals 31 March 2010	Totals 31 March 2009
		£	£	£	£
<b>Note 2 – Grants</b>					
Parliamentary Grant-in-Aid	3	-	12,138,000	12,138,000	10,279,000
Engineering Education Programme (Best)		-	333,216	333,216	639,714
		-	12,471,216	12,471,216	10,918,714
<b>Note 3 – Parliamentary Grant-in-Aid</b>					
Grant in Aid was expended on:					
External Projects		-	9,226,000	9,226,000	7,496,000
Cost of Managing External Projects		-	2,912,000	2,912,000	2,783,000
		-	12,138,000	12,138,000	10,279,000
<b>Note 4 – Contracts</b>					
EPSRC		-	1,581,385	1,581,385	1,664,967
London Engineering Project		-	472,902	472,902	1,189,257
Bloodhound Education Programme		-	300,022	300,022	315,000
BEST Support		-	94,854	94,854	221,780
Engineers for Enterprise		-	63,300	63,300	126,300
Leverhulme		-	286,835	286,835	108,018
Building Engineering Physics		-	83,000	83,000	83,000
Engineering Education Scheme (Wales)		-	17,000	17,000	77,000
Africa-UK Engineering Development Partnership		-	75,000	75,000	75,000
Tribal Education Scheme		-	177,400	177,400	64,837
ExxonMobile HESS		-	55,000	55,000	55,000
RSDF Elster		-	13,750	13,750	32,995
DCSF Support		-	12,000	12,000	12,000
Barrow Engineering Project		-	37,566	37,566	3,000
Electronic Patients Records		-	39,743	39,743	-
Petrofac Scholarships		-	28,107	28,107	-
Shell Visiting Teaching Fellows		-	28,500	28,500	-
MOD Fellowships		-	56,146	56,146	-
Engineering Engagement BAE		-	116,083	116,083	-
Technology Enhancement Programme		-	48,606	48,606	-
National HE STEM Programme		-	69,521	69,521	-
Engineering FE BP		-	5,097	5,097	-
Discontinued Contracts		-	-	-	185,000
Other Contracts		-	8,000	8,000	4,686
		-	3,669,817	3,669,817	4,217,840
<b>Note 5 – Gifts and Donations</b>					
Development Appeal		-	1,580,808	1,580,808	66,560
Education Support Gift		-	-	-	250,000
Other Donations		30,942	21,312	52,254	55,358
		30,942	1,602,120	1,633,062	371,918

# Notes to the Accounts

## Year Ended 31 March 2010

	Unrestricted Funds	Restricted Funds	Totals 31 March 2010	Totals 31 March 2009
	£	£	£	£
<b>Note 6 – Investment Income</b>				
Dividends from Equity Investments	498,235	-	498,235	602,913
Income from Fixed Interest Bonds	69,871	-	69,871	60,690
Interest on Bank Deposits	178,284	-	178,284	545,936
	746,390	-	746,390	1,209,539
<b>Note 6a - Other Income</b>				
Conferences and Events	200,274	-	200,274	162,359
Academy Internal Events	1,281	-	1,281	1,468
Subscription Income	199,901	-	199,901	201,056
Advertising Income & Sale of Ties	51,770	-	51,770	43,262
Facilities Income	110,483	-	110,483	135,972
	563,709	-	563,709	544,117

	Engaging effectively with the public	Attracting more people into engineering	Enhancing the contribution of engineering	Developing the Academy	Total 31 March 2010	Total 31 March 2009
	£	£	£	£	£	£

## Note 7 – Charitable Activities

### Unrestricted

Charitable Activities	412,296	37,873	-	88,235	538,404	507,766
Charitable Grants	-	8,725	-	-	8,725	60,634
Staff Costs	105,203	-	-	93,927	199,130	330,858
Other Support Costs	20,491	-	-	17,611	38,102	95,416
3 Carlton House Terrace Costs:						
- Development Costs	-	-	-	164,939	164,939	486,738
	537,990	46,598	-	364,712	949,300	1,481,412

### Restricted

Charitable Activities	579,557	1,189,605	-	-	1,769,162	2,435,235
Charitable Grants	435,000	1,130,342	9,638,009	-	11,203,351	9,737,599
Staff Costs	1,117,217	633,601	691,815	-	2,442,633	2,249,855
Accommodation Costs	-	-	-	445,566	445,566	538,271
Other Support Costs	89,281	50,633	55,285	106,434	301,633	194,474
	2,221,055	3,004,181	10,385,109	552,000	16,162,345	15,155,434
<b>Total Charitable Activities</b>	2,759,045	3,050,779	10,385,109	916,712	17,111,645	16,636,846

	2010 £	2009 £
<b>Note 8 - Governance Costs</b>		
Auditors fees:		
- Audit	18,006	17,365
- Other Services	-	3,548
Legal and Professional Fees	21,919	9,268
	<b>39,925</b>	<b>30,181</b>

#### **Note 9 - Staff and Pensions Costs**

##### **(a) Staff Costs Analysis**

Gross Salaries	2,318,005	2,192,314
Employers National Insurance	252,365	241,901
Benefits in Kind	22,788	18,533
Pension Charge	257,141	239,550
Other Staff Costs (including Recruitment, Temporary staff)	206,525	243,774
	<b>3,056,824</b>	<b>2,936,072</b>

Average number of staff in the year by activity:	Number	Number
- Education Affairs	19	17
- Strategy and Planning Affairs	16	15
- Communications and External Affairs	11	9
- Executive, Development, Finance and Administration	18	16
	<b>64</b>	<b>57</b>

No remuneration is paid to the President or members of the Council of the Academy. Travelling expenses to attend Council meetings were reimbursed to 4 Council members in 2009/10 amounting to £6,230 (2008/09 £1,708). Travelling expenses to attend other meetings on behalf of the Academy in the UK and overseas were reimbursed to 1 Council members in 2009/10 amounting to £1,500 (2008/09 £10,729 for 9 members). 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 2010 The Royal Academy of Engineering contributed £2,500 (2008/09 £2,500) to Imperial College as contribution to the cost of the Chair.

	2010	2009
The emoluments of higher paid staff within the following scales were:	Number*	Number
£60,001 – £70,000	2	1
£70,001 – £80,000	2	4
£80,001 – £90,000	1	1
£140,001 – £150,000	-	1
£150,001 – £160,000	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 2009. The results have been updated to 31 March 2010 by a qualified independent actuary. The assumptions used were as follows:

	Year Ending 31 March	
	2010	2009
<b>Financial Assumptions</b>	%p.a.	%p.a.
Discount Rate	5.50	6.45
Price Inflation	3.20	2.70
Salary Increases	3.70	3.20
Rate of increases in pensions in payment		
- pre 6 April 1997 pension	3.00	3.00
- 6 April 1997 pension to November 1999 pension	3.30	3.20
- post 30 November 1999 pension	3.10	2.60
Rate of increase for deferred pensioners	3.20	2.70
Expected return on assets (as at year end)	5.43	4.64

The overall expected return on assets assumption of 5.43% as at 31 March 2010 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 securities, current market yields;
- equities, allowance for an additional return of 3.25% above that available on UK government securities;
- cash, current Bank of England base rate.

	Year Ending 31 March	
	2010	2009
<b>Demographic Assumptions</b>	%p.a.	%p.a.
Mortality (Pre retirement)	Nil	Nil
Mortality (Post retirement)	PCA00mc(job)	PCA00mc(job)

The assets of the scheme are invested in a diversified portfolio

	Year Ending 31 March					
	2010		2009		2008	
	Market Value £000s	% of total scheme assets	Market Value £000s	% of total scheme assets	Market Value £000s	% of total scheme assets
Equities*	1,471	32%	1,006	27%	918	24%
Bonds*	-	-	-	-	2,798	73%
Gilts	3,021	67%	2,698	72%	-	-
Cash	36	1%	27	1%	126	3%
Total	4,528		3,731		3,842	
The actual return on assets over the period was	710		(129)			

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

	Year Ending 31 March	
	2010 £000s	2009 £000s
<b>Reconciliation to the balance sheet:</b>		
Market value of assets	4,528	3,731
Present value of liabilities	4,386	3,507
Surplus/Deficit in the scheme	142	224
Irrecoverable Surplus	-	-
Pension asset recognised in the balance sheet before allowance for deferred tax	142	224
<b>Analysis of changes in the value of the scheme liabilities over the year:</b>		
Value of liabilities at start of year	3,507	3,632
Service cost	-	-
Interest cost	223	241
Past service cost	-	-
Benefits paid	(86)	(82)
Actuarial gain (losses)	742	(284)
Value of liabilities at end of year	4,386	3,507
<b>Analysis of changes in the value of the scheme assets over the year:</b>		
Market value of assets at start of year	3,731	3,842
Expected return on Scheme assets	173	217
Actuarial gain/(losses)	537	(346)
Employer contributions	173	100
Benefits paid	(86)	(82)
Market value of assets at end of year	4,528	3,731
<b>Amounts recognised in Statement of Financial Activities (SOFA)</b>		
<b>Analysis of amounts charged to operating surplus:</b>		
Current service cost	-	-
Past service cost	-	-
Net (gain) loss charged to SOFA	-	-
<b>Analysis of amount charged to other finance income:</b>		
Interest on liabilities	(223)	(241)
Expected return on scheme assets	173	217
Net (charge) credit to other finance income	(50)	(24)
Total SOFA charge before deduction for tax	50	24
<b>Amounts recognised in Statement of Financial Activities (SOFA)</b>		
Actuarial gains/(losses)	(205)	(62)
Limit on recognition of assets	-	-
Total amount recognised in SOFA	(205)	(62)

# Notes to the Accounts

	Year Ending 31 March				
	2010 £000s	2009 £000s	2008 £000s	2007 £000s	2006 £000s
<b>History of assets, liabilities, experience gains and losses</b>					
Market value of scheme assets	4,528	3,731	3,842	3,834	3,125
Value of scheme liabilities	(4,386)	(3,507)	(3,632)	(4,505)	(4,408)
Surplus/(Deficit) in the scheme	142	224	210	(671)	(1,283)
<b>Gains/(losses) arising on scheme liabilities:</b>					
Due to experience	-	97	468	13	(105)
% of liabilities	-	3%	13%	-	(2)%
Due to change of basis	(742)	187	436	215	(785)
% of liabilities	(17)%	5%	13%	5%	(18)%
<b>Experience gains/(losses):</b>					
Arising on scheme assets	537	(346)	(116)	(66)	436
% of assets	12%	(9)%	(3)%	(2)%	14%

The cumulative amount of actuarial gains and losses recognised in the SOFA (since 2005) is £211,000.

## Future funding obligation

The last actuarial valuation of the scheme was performed by the Actuary for the Trustees as at 1 January 2009. Although the valuation of the scheme prepared under FRS17 shows a surplus, the actuarial valuation shows a deficit and so the Academy agreed to pay deficit contributions of £173,000 pa for seven years. The employer therefore expects to pay £173,000 to the scheme during the accounting year beginning 1 April 2010.

	Computer Equipment	Office Fixtures & Fittings	Leasehold Improvements	Total
	£	£	£	£
<b>Note 10 – Tangible Fixed Assets</b>				
<b>Cost</b>				
At 1 April 2009	146,099	32,981	5,310,000	5,489,080
Assets Disposed	-	-	-	-
Additions	14,614	2,226	-	16,840
At 31 March 2010	160,713	35,207	5,310,000	5,505,920
<b>Depreciation</b>				
At 1 April 2009	124,237	16,673	166,243	307,153
Assets Disposed	-	-	-	-
Charge for Year	12,946	5,961	117,348	136,255
At 31 March 2010	137,183	22,634	283,591	443,408
<b>Net Book Value</b>				
At 31 March 2010	23,530	12,573	5,026,409	5,062,512
At 31 March 2009	21,862	16,308	5,143,757	5,181,927

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.

	2010 General Fund £	2009 Total Portfolios £
Market Value at 1 April	10,784,689	15,010,379
Add Acquisitions at Cost	2,135,909	4,194,110
Less: Disposals at Book Value	(1,604,452)	(5,798,044)
Net Unrealised Gain on Revaluation at 31 March	3,195,057	2,621,756
Market Value at 31 March	14,511,203	10,784,689

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 2010): Treasury Stock 3.25% 2011 (£1,246,000), VT Group (£750,000), Royal Dutch Shell (£692,000) and BP plc (£769,000). 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 £	2010 Total £	2009 Total £
Market Value at 1 April	8,981,219	1,803,470	10,784,689	15,010,379
Market Value at 31 March	12,685,613	1,825,590	14,511,203	10,784,689
Cost at 31 March	10,019,800	1,765,870	11,785,670	11,698,431

# Notes to the Accounts

	2010 Total £	2009 Total £
<b>Note 12 – Debtors</b>		
Grants and Sponsorship Receivable	596,611	805,141
Prepayments	186,153	151,587
Other Debtors	127,662	143,207
	910,426	1,099,935

<b>Note 13 – Stocks</b>		
Publications, Academy ties, presentation plates and medals	13,400	17,010

<b>Note 14a – Creditors (Amounts falling due within one year)</b>		
Payments in Advance	27,737	63,771
Committed Grants	12,834,960	11,348,277
Deferred Income	1,583,047	492,914
Subscriptions in Advance	145,734	141,275
Other Creditors	247,330	283,039
Social Security & Other Costs	85,401	8,654
Bank Loan	110,428	85,810
	15,034,276	12,423,740

<b>Note 14b – Creditors (Amounts falling due beyond one year)</b>		
<b>Bank Loan*</b>		
- Due within two to five years	343,241	343,241
- Due after five years	1,324,625	1,456,745
Amount due at 31 March	1,667,866	1,799,986

\* 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.

<b>Note 15 – Future Commitments</b>		
<b>Annual Commitments under Operating Leases</b>		
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 Business, Innovation and Skills (BIS)** 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 Support** is funding from various sources to support the marketing and development of the programme.
- **BIS** supports the Engineering for Enterprise study.
- **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.
- **Petrofac Scholarships** support masters level education of engineers wishing to pursue a technically specialist role in the oil and gas industry.
- **Shell Visiting Teaching Fellows** supports fast track engineers who enrich the curriculum in technologies associated with the upstream and downstream operations of the petroleum industry.
- **MOD Fellowships** are administered by the Academy as a joint scheme but fully funded by the MOD through Dstl.
- **BAE Systems** funds engineering and technology activities with schools, teachers and pupils through the Engineering Engagement project.
- **Gatsby Charitable Foundation** supports teachers of the 14-19 Diploma in Engineering through the Technology Enhancement Programme.
- **HEFCE** funds the National HE STEM Programme, the engineering component of which is led by the Academy.
- **BP** supports engineering FR lectures and learners through the Engineering FE Programme.
- **Carlton House Terrace Fund** will be used to develop 3 Carlton House Terrace into a national forum of engineering excellence.
- **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 **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 2009 £	Incoming Resources £	Resources Expended £	Tranfers Between Funds £	Net Losses £	Balance at 31 March 2010 £
<b>Restricted Funds</b>						
Grant-in-Aid	-	12,138,000	(12,138,000)	-	-	-
Gatsby Charitable Foundation	-	333,216	(333,216)	-	-	-
RAEng/EPSRC Research Fellowships	-	1,581,385	(1,581,385)	-	-	-
London Engineering Project	-	472,902	(472,902)	-	-	-
Bloodhound Education Programme	-	300,022	(300,022)	-	-	-
BEST Support	-	94,854	(94,854)	-	-	-
Engineers for Enterprise	-	63,300	(63,300)	-	-	-
Leverhulme SRFs	-	286,835	(286,835)	-	-	-
Building Engineering Physics	-	83,000	(83,000)	-	-	-
Engineering Education Scheme (Wales)	-	17,000	(17,000)	-	-	-
Africa-UK Engineering Development Partnership	-	75,000	(75,000)	-	-	-
Tribal Education Scheme	-	177,400	(177,400)	-	-	-
ExxonMobil HESS	-	55,000	(55,000)	-	-	-
RSDF Elster	-	13,750	(13,750)	-	-	-
DCSF Support	-	12,000	(12,000)	-	-	-
Barrow Engineering Project	-	37,566	(37,566)	-	-	-
ExxonMobil Fellowships	75,495	-	-	-	-	75,495
Engineering Leadership Awards	16,926	-	-	-	-	16,926
Engineering Education Prize	-	8,000	(8,000)	-	-	-
Electronic Patients Records	-	39,743	(39,743)	-	-	-
Petrofac Scholarships	-	28,107	(28,107)	-	-	-
Shell Visiting Teaching Fellows	-	28,500	(28,500)	-	-	-
MOD Fellowships	-	56,146	(56,146)	-	-	-
Engineering Engagement Project BAE	-	116,083	(116,083)	-	-	-
Technology Enhancement Programme	-	48,606	(48,606)	-	-	-
National HE STEM Programme	-	69,521	(69,521)	-	-	-
Engineering FE (BP)	-	5,097	(5,097)	-	-	-
Carlton House Terrace Fund	-	1,580,808	-	-	-	1,580,808
Ad Hoc Awards	-	21,312	(21,312)	-	-	-
<b>Total Restricted Funds</b>	<b>92,421</b>	<b>17,743,153</b>	<b>(16,162,345)</b>	<b>-</b>	<b>-</b>	<b>1,673,229</b>

	Balance at 1 April 2009 £	Incoming Resources £	Resources Expended £	Tranfers Between Funds £	Net Losses £	Balance at 31 March 2010 £
<b>Designated Funds</b>						
<i>Special Funds</i>						
Sir Angus Paton Bequest	109,748	-	(7,000)	-	-	102,748
Hinton Bequest	39,491	-	(10,833)	-	-	28,658
Lloyd's Register Fund	5,468	-	(3,444)	-	-	2,024
Building Maintenance Fund	98,751	-	-	-	-	98,751
<i>Total Special Funds</i>	253,458	-	(21,277)	-	-	232,181
<i>Building Development Fund</i>	600,291	-	(140,472)	-	-	459,819
<i>RAEng MacRobert Award</i>	1,417,123	-	(55,208)	72,122	-	1,434,037
<i>Education Support Fund</i>	250,000	-	(34,847)	-	-	215,153
<b>Total Designated Funds</b>	2,520,872	-	(251,804)	72,122	-	2,341,190
<b>General Fund</b>	11,828,558	1,341,041	(1,120,342)	(195,122)	3,639,840	15,493,975
<b>Pension Fund Surplus</b>	224,000	-	-	123,000	(205,000)	142,000
<b>Total Funds</b>	14,665,851	19,084,194	(17,534,491)	-	3,434,840	19,650,394

#### Note 17 – Analysis of Net Assets between Funds

	Tangible Fixed Assets £	Investments £	Current Assets £	Liabilities/ Pension Asset £	Total Net Assets £
Restricted Funds	-	-	15,563,080	(13,889,851)	1,673,229
Reserves					
Special Funds	-	-	232,181	-	232,181
Building Development Fund	-	459,819	-	-	459,819
RAEng MacRobert Award Fund	-	1,434,037	-	-	1,434,037
Education Support Fund	-	215,153	-	-	215,153
General Fund	5,062,512	12,402,194	841,561	(2,812,292)	15,493,975
Pension Fund Surplus	-	-	-	142,000	142,000
<b>Total Funds</b>	5,062,512	14,511,203	16,636,822	(16,560,143)	19,650,394



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

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