



The Royal Academy
of Engineering

Financial Report and Accounts

For the year ended 31 March 2011



Contents

	Page
Honorary Treasurer's Statement	1
Report of Council	
Reference and Administrative Detail	2
Name and Registered Office	2
Professional Advisers	2
Structure, Governance and Management	3
Council Members	3
Elections to Council	4
Induction and Training of Council Members	4
Internal Control	4
Objectives and Activities for the Public Benefit	6
Strategic Objectives	6
Activities, Achievements and Performance	6
Financial Review	9
Review of Transactions for the Year	9
Reserves Policy	10
Recipients of Academy Grants	11
Grant Making Policy	12
Ethnic and Gender Monitoring	12
Plans for Future Periods	12
Statement of Council's Responsibilities	13
Independent Auditor's Report to the Council of The Royal Academy of Engineering	14
FINANCIAL STATEMENTS	
Statement of Financial Activities	15
Balance Sheet	16
Cash Flow Statement	17
Notes to the Accounts	18-29

Honorary Treasurer's Statement



RESULTS FOR THE YEAR

The total income for the year increased by 9% to £20.8 million from £19.1 million in the previous year. Expenditure on charitable activities increased by 5% to £17.9 million. The carrying value of the Academy's net assets increased over the year by £3.9 million to £23.6 million.

INCOME

The total income for the year was £20.8 million. The largest element, Grant-in-Aid from the Department for Business, Innovation and Skills (BIS), increased by 4% to £12.6 million.

Income from contracts increased by 6% to £4.3 million and included £1.6 million provided by EPSRC in support of RAEng/EPSRC Research Fellowships, £0.8 million provided by HEFCE in support of the National HE STEM programme and £0.5 million provided by The Leverhulme Trust in support of the Leverhulme Senior Research Fellowships.

Donations and legacies totalled £2.3 million, an increase of 38% above the previous year, and included donations towards the Carlton House Development Appeal of £0.2 million, with a further £0.3 million pledged, from Rolls Royce, £52,000 from Dr Wilem Frischmann CBE FEng and £178,000 from other members of the Academy's Fellowship.

Other sources of income such as investments, subscriptions and facilities hire totalled £1.7 million an increase of 28% over the previous year.

EXPENDITURE

Expenditure on charitable activities was £17.9 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 £17.9 million: 61% was spent on enhancing the contribution of engineering to raising the UK's innovation performance; 17% 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 5% on developing the ability of the Academy to make an impact. Staff costs increased by 8% to £3.3 million from £3.1 million in the previous year.

ASSET VALUE

The carrying value of the Academy's net assets was £23.6 million. The main assets are investments valued at £15.6 million and tangible fixed assets valued at £5.7 million while the main liability is a bank loan of £1.7 million which funds the Academy's property lease. The value of Restricted Funds increased over the year by £2.3 million due to donations of £1.9 million to the Carlton House Terrace Fund and a legacy of £0.4 million. The General Fund value grew by £1.5 million, the most significant factor being £1.3 million of net gain on the Academy's investments.

INVESTMENTS

The stock market continued to recover during the year although bank interest rates remained at a historically low level. The value of the Academy's investment portfolio increased by 8% to £15.6 million. Realised and unrealised investment gains during the year totalled £1.3 million.

Approximately 11% of the General Fund portfolio is held in high quality fixed interest stocks. As anticipated, income from dividends substantially recovered during the year while bank interest also increased due to higher levels of deposits. Dividend payments from equities held in the portfolio grew by 27% to £631,000. Interest on bank deposits increased by 16% to £207,000. Overall investment income increased by 27% to £945,000.

3 CARLTON HOUSE TERRACE

In April 2010 the Academy's Council decided to proceed with the pre-construction phase of a project to develop the Academy's building as a Forum for Engineering. The total project cost is budgeted at £6.5 million and the Academy is continuing its fundraising campaign. Construction is planned to start in August 2011 subject to meetings in July of both the Finance and Audit Committee and Council to review the project management and funding.

FINANCE AND AUDIT COMMITTEE

The Committee met five 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 and management. During the year reviews were also conducted on treasury policy, reserves policy and management reporting.

Signed on behalf of the Finance and Audit Committee 19 May 2011

**Dr M Howse 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 and 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 FREng FRS
Immediate Past President (<i>ex officio</i>)	Lord Broers FREng HonFMedSci FRS
Senior Vice President	Professor R Mair CBE FREng FRS
Vice Presidents	Professor B Cantor FREng (from 5.7.10) Professor M Earwicker FREng Dr D Grant CBE FREng Professor Dame Julia Higgins DBE FREng FRS Professor J Perkins CBE FREng (until 5.7.10) Professor C Snowden FREng FRS Professor Sir William Wakeham FREng
Honorary Treasurer	Dr M Howse OBE FREng
Honorary Secretary for International Activities	Professor Sir William Wakeham FREng
Honorary Secretary for Education & Training	Dr D Grant CBE FREng

ORDINARY COUNCIL MEMBERS

Professor D Delpy FREng FMedSci FRS	Dr I Nussey OBE FREng (from 5.7.10)
Mr R Dodds FREng (until 5.7.10)	Professor R Parker FREng
Dr C Elliott FREng	Professor D Payne CBE FREng (from 5.7.10)
Dr P Golby FREng (from 5.7.10)	Mr I Ritchie CBE FREng FRSE
Professor P Goodhew FREng (from 5.7.10)	Ms F Wainwright FREng (from 5.7.10)
Mr T Hill FREng (until 5.7.10)	Professor M Walker OBE FREng
Professor A Hopper CBE FREng FRS (until 5.7.10)	Mr P Warry FREng (until 5.7.10)
Dr M Lynch OBE FREng (from 5.7.10)	Dr P Watson OBE FREng (until 5.7.10)
Mr G Masterton OBE FREng	Mr P Westbury FREng
Professor J McCanny CBE FREng FRS	Professor J Wood CBE FREng

EX OFFICIO COUNCIL MEMBERS

Chairman, Membership Committee	Sir John O'Reilly FREng
Chair, Proactive Membership Committee	Dr I Nussey OBE FREng (until 5.7.10) Rear Admiral N Guild CB FREng (from 5.7.10)

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 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 up to five years and the other officers for terms of three years. The immediate Past President also serves on Council for up to 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 10 working days of the month end. Accounts are submitted monthly to Finance and Audit Committee members and quarterly to Council.

**MEMBERS OF FINANCE
AND AUDIT COMMITTEE**

Dr M Howse OBE FEng (Chair and Honorary Treasurer)
Mr R Dodds FEng (until 5.7.10) Professor D Payne CBE FEng (from 5.7.10)
Dr C Elliott FEng Professor P Goodhew FEng (from 5.7.10)
Mr I Ritchie CBE FEng FRSE Dr P Watson OBE FEng (until 5.7.10)
Mr T Hill FEng

The Finance and Audit Committee normally comprises only current Council members. Mr Hill has agreed to serve an additional year on the Committee at the request of Council. Mr Hill retired as a Council member on 5 July 2010.

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 Greenish CBE
Director, Finance and Administration	Mr H Beeston
Director, Strategy and Planning	Mr K Davis
Director, Education Affairs	Dr R Ditchfield (until 12.5.10)
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, Achievements and Performance

"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.

- 31 events were held during the year comprising public lectures, major conferences, technical briefings and other events;
- The MacRobert Award for Engineering Innovation for 2010 was awarded to Inmarsat for its Broadband Global Area Network;
- Silver Medals were awarded to Dr Andrew Harter, Dr Nicholas Longfield, Roger Ridsdill Smith and Colin Tregenza Dancer;
- The Sir Frank Whittle Medal was awarded to Professor Sir Richard Feachem KBE CBE FEng;
- The Sustained Achievement Medal was awarded to Alan Powderham FEng;

- The Sir George Macfarlane Award was awarded to Will Machin;
- The Prince Philip Medal was awarded to Professor John Davidson FEng FRS;
- The Academy became host to the Technician Council which seeks to raise the standing of technicians across science, IT, Engineering and health sectors;
- *Education for Engineering (E4E)*, the mechanism for the engineering profession to provide a single voice to policymakers on all matters relating to the formation of the future engineering workforce made impact in its first year with a call for access to data on science, technology, engineering and mathematics (STEM) in the FE & Skills sector. This was delivered during the year by the Academy-led FE STEM Data Project;
- *Engineering the Future*, an alliance of the Academy with professional engineering organisations, has continued to create 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 14 issues to Parliamentary, Government and other national bodies on a range of engineering topics;
- Studies and initiatives completed or underway include or relate to:
 - Global water security;
 - Philosophy of engineering;
 - Privacy and prejudice;
 - Electric vehicles;
 - Nuclear lessons learned;
 - Infrastructure, engineering and climate change adaptation;
 - Global navigation space systems;
- Policy related events were held on:
 - The general election;
 - The interface between law and engineering;
 - The Olympic and Paralympic Games;
 - The governance of autonomous systems;
 - The use of statistics in policy making;
 - The knowledge economy and the research base;
 - The future of energy storage;
 - Young researchers' futures;
 - Sports engineering;
 - Policynet.
- Public affairs: the Academy established new contacts with 231 members of Parliament and built on our previous relationships;
- Under the *Engineering the Future* banner, the Academy and partners hosted three fringe meetings at the three main parties' autumn conferences;

- *Ingenia* magazine circulation at 11,300 reached about 30,000 readers and its website averaged 23,500 visits per month;
- The Academy websites achieved an average monthly total of 148,000, an increase in traffic of 10% from previous year;
- *Ingenious* Programme – 20 Public Engagement Awards and one Public Engagement Fellowship;
- The Academy contributed to and signed the new concordat for engaging the public along with a number of the UK's major research funding bodies;
- 10 public engagement events were held;
- The Academy's media profile increased in print, radio and online coverage;

“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.

- Achievements in the engineering education programmes were as follows:
 - Engineering Leadership Advanced Awards – 29 awards;
 - Engineering Leadership Standard Awards – more than 1,000 students participated;
 - Executive Engineers Programme – 50 graduate engineers participated;
 - Sainsbury Management Fellowships in Engineering – 10 awards;
 - Petrofac/Royal Academy of Engineering Fellowships for the Enhanced Graduate Engineer – six 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 third annual UK Young Scientists and Engineers Fair. The Big Bang was held in London and more than 30,000 people attended this year's fair, a threefold increase over last year's inaugural fair;
- The *Tomorrow's Engineers* programme of engineering outreach programmes, delivered in partnership with EngineeringUK expanded during the year.

“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.

- 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 Institution of Civil Engineers;
 - The Institution of Mechanical Engineers;
 - The IET;
 - The Chartered Institute for Water and Environmental Management;
 - The Institution for Chemical Engineers;
 - Engineering UK;
 - Nuclear Institute;
 - The Welding Institute;
 - The Institute of Physics;
 - The Institution of Structural Engineers;
 - 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 the UK on 28 May 2010;
 - International Council of Academies of Engineering and Technological Sciences (CAETS);
 - European Consortium of Academies of Applied Sciences, Technologies and Engineering (Euro-CASE).
- Achievements in programmes funded by Parliamentary Grant-in-Aid were as follows:
 - Personal Research Chairs and Senior Research Fellowships – 38 in post;
 - Research Chair in Emerging Technology – one in post;
 - Global Research Awards – 18 awardees;
 - Research Fellowships – 51 in post plus 10 posts with appointments pending;
 - Industrial Secondment Scheme – 20 awards;
 - Newton International Fellowships – 13 engineers appointed;

Report of Council

- Visiting Professorships in 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 – 39 awards;
- Research Exchanges with China and India – 22 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;
 - Ove Arup Foundation Visiting Teaching Fellows – 10 in post;
 - Comino Foundation Research Student Development Fellowship – one award.
- 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;
- Detailed design work on the Forum for Engineering project began in summer 2010 and was completed in early 2011. The Project Committee, now chaired by Dr Paul Golby FREng, is providing governance and direction to the full project team. Relevant planning permissions and listed building consent have been obtained and the project went out to tender during April 2011. Work on site is scheduled to commence in August 2011 for completion in late Spring 2012, conditional upon approval by Council at its meeting in July 2011.

“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.

- At the AGM on 5 July 2010, 53 new Fellows, one Honorary Fellow and six International Fellows were elected;
- The *making things better* Campaign Board, chaired by Sir John Parker FREng, has continued to play a major role in spearheading successful fundraising initiatives during the year. 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;

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 £20.8 million. Total income increased by 9% 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 £12.6 million was the largest contribution to funds and represented 61% 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 £203,000 contribution during the year to provide continuing professional development for Design & Technology teachers and the work of engineers in and around the classroom. HEFCE provided £757,000 to support engineering in higher education through the National HE STEM Programme. BIS provided £210,000 in support of the Modern Technician Class programme. BP provided £126,000 in support of the Engineering Further Education programme.

OTHER GRANTS AND CONTRACTS

Income from other grants and contracts totalled £4.3 million of which the Engineering and Physical Sciences Research Council provided £1.6 million for the Research Fellowship programme.

DONATIONS

During the year Rolls Royce made a donation of £0.2 million, with a further £0.3 million pledged, to the Carlton House Terrace Building Development Fund.

OTHER INCOME

Other major sources of income during the year were: investments, subscriptions, events and facilities hire income at a total of £1.7 million (8% of total incoming resources).

CHARITABLE ACTIVITIES

Expenditure on charitable activities was £17.9 million during the year or 98% of total resources expended. Of this total, £13.9 million represented charitable activities and grants paid under various programmes and £4.0 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 £334,000 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 focus 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 £37,000 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 89% UK equities and 11% fixed interest bonds, this allocation is reviewed regularly. During the year the General Fund generated £738,000 of income and there were realised losses of £0.2 million and unrealised gains of £1.6 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 £774,000. Of this £43,000 was spent on the IT network, £29,000 on other equipment and furniture and £701,000 on the Carlton House Terrace development.

Report of Council

Reserves Policy

The 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 £6 million. The Academy's free reserves should not exceed a maximum level of £60 million.

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		2011	2010
		£000	£000
Total funds per Balance Sheet		23,572	19,650
Deduct:			
Tangible Fixed Assets	Note 10	5,691	5,063
Restricted Funds	Note 16	3,929	1,673
Designated Special Funds	Note 16	252	232
Designated Building Development Fund	Note 16	333	460
Designated RAEng MacRobert Award Fund	Note 16	1,379	1,434
Designated Education Support Fund	Note 16	160	215
Pension Fund Charge on Assets	Note 11	1,168	1,168
Free Reserves		10,660	9,405

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 2010/11 totalling £11.3 million. The first 50 organisations, in order of the total amount of cash paid to recipients, are listed below.

Amount in £							Total
		Research	Visiting Professors	Industrial Secondments	Travel Grants	Education	
1	Imperial College London	753,474	28,000	-	44,700	-	826,174
2	Southampton University	607,952	-	32,700	12,500	-	653,152
3	Oxford University	592,480	-	-	13,200	-	605,680
4	University College London	539,989	2,500	-	5,300	-	547,789
5	Edinburgh University	380,076	-	-	9,701	-	389,777
6	Surrey University	359,635	-	-	6,300	-	365,935
7	Leeds University	288,401	5,000	-	9,400	-	302,801
8	Glasgow University	258,836	20,000	-	7,500	-	286,336
9	Manchester University	244,516	2,500	21,000	14,900	-	282,916
10	Loughborough University	248,064	18,000	-	16,300	-	282,364
11	Sheffield University	223,367	-	21,000	18,800	-	263,167
12	Cambridge University	213,119	15,000	-	15,800	-	243,919
13	Heriot Watt University	188,261	-	14,894	9,500	-	212,655
14	Bath University	143,629	20,500	13,331	22,375	-	199,835
15	Nottingham University	130,789	26,500	29,650	7,400	-	194,339
16	Queen Mary College London	165,821	18,000	-	6,800	-	190,621
17	Warwick University	103,779	38,000	24,227	3,500	-	169,506
18	Strathclyde University	101,773	40,500	-	18,600	-	160,873
19	Newcastle University	114,461	17,500	8,270	9,200	-	149,431
20	Queens University Belfast	130,708	-	-	10,500	-	141,208
21	Dundee	123,942	-	-	3,300	-	127,242
22	Cranfield University	74,270	28,000	-	8,400	-	110,670
23	Swansea University	90,082	-	-	3,600	-	93,682
24	Liverpool University	66,716	20,000	-	4,500	-	91,216
25	INSEAD	-	-	-	-	90,000	90,000
26	Aberystwyth University	81,027	-	-	300	-	81,327
27	York University	55,936	10,000	7,852	6,400	-	80,188
28	London Business School	-	-	-	-	60,000	60,000
29	Harvard	-	-	-	-	60,000	60,000
30	City University	49,783	-	-	2,300	-	52,083
31	Cardiff	38,361	2,500	-	8,500	-	49,361
32	Bristol University	3,400	33,000	-	10,500	-	46,900
33	Exeter	41,535	-	-	2,500	-	44,035
34	Hertfordshire University	-	40,500	-	2,400	-	42,900
35	Bradford University	-	12,500	21,920	4,500	-	38,920
36	Kent	5,950	32,500	-	-	-	38,450
37	Brunel	10,000	18,000	-	8,600	-	36,600
38	Columbia	-	-	-	-	30,000	30,000
39	Tuck	-	-	-	-	30,000	30,000
40	Birmingham University	3,000	-	21,139	5,200	-	29,339

Report of Council

Amount in £	Research	Visiting Professors	Industrial Secondments	Travel Grants	Education	Total
	41 Durham	4,858	20,500	-	1,700	-
42 Plymouth University	-	23,000	-	3,900	-	26,900
43 Aston	-	26,500	-	-	-	26,500
44 London South Bank University	-	20,500	-	3,800	-	24,300
45 Reading University	-	-	20,000	-	-	20,000
46 Aberdeen University	-	-	-	6,900	-	6,900
47 Ulster	-	6,500	-	-	-	6,500
48 Kings College London	-	-	-	5,600	-	5,600
49 University of Salford	5,568	-	-	-	-	5,568
50 Edinburgh Napier University	-	-	-	5,100	-	5,100
Total	6,443,558	546,000	235,983	360,276	270,000	7,855,817

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	47
Female	2	21	53
Ethnicity¹			
White	98	78	78
Mixed ²	*	1	2
Asian/Asian British	1	6	10
Black/Black British	*	1	2
Chinese/Other Ethnic Group	1	14	8

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

"Drive faster and more balanced economic growth"

The strategic challenge is to improve the capacity of UK entrepreneurs and enterprises to create innovative products and services, increase wealth and employment, and rebalance the economy in favour of productive industry.

Our research investment in UK universities will focus on multidisciplinary areas that address specific problems and lead to wealth creation in the shorter term. We shall bring business and researchers together to foster the conditions that this process needs.

Our policy work and our advice to government will focus on the nation's need to rebalance the economy through innovation, entrepreneurship and investment in productive industry. As the national forum for engineering, we shall work with business, government and the public to support the profile of UK plc.

"Foster better education and skills"

The strategic challenge is to create a system of engineering education and training that satisfies the aspirations of young people while delivering the high calibre engineers and technicians that businesses need.

We shall work with partners to ensure that more young people study STEM subjects in schools, FE colleges and universities, where we shall enrich outcomes by bringing real-world engineering practice into the student experience.

We shall encourage more people, especially young women and people from a wider range of backgrounds, to work as engineering technicians, graduate engineers and engineering researchers.

“Lead the profession”

The strategic challenge is to harness the collective expertise, energy and capacity of the engineering profession to enhance the UK's economic and social development.

With new support from government, we shall radically develop our value as a leadership organisation. We will articulate a clear and coherent vision for engineering. We shall harness collective engineering expertise to assist the government in forming policy frameworks that enhance the UK's engineering performance. We shall lead the response to unexpected engineering challenges.

“Promote engineering at the heart of society”

The strategic challenge is to improve public understanding of engineering, increase awareness of how engineering impacts on lives and increase public recognition for our most talented engineers.

We shall deliver an increased media profile for the Academy and the profession, a programme of public engagement that promotes dialogue and debate and better understanding in Westminster and the wider world of the crucial role and contribution of engineering.

“Build organisational capacity”

The strategic challenge is to ensure that the Academy has the Fellows, staff, partners, funding and influence to support our ambitious plans.

We shall endeavour to find the best engineers from a wide range of backgrounds for nomination to the Fellowship, ensuring that they are engaged to the fullest in our work. We shall recruit, train and develop the best people as our staff. We shall increase the number of our working partners and supporters. We shall raise more funding for our work from third parties, in particular the business sector. We shall undertake a major investment in our premises to create the UK's forum for engineering.

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 19 May 2011.

**Lord Browne of Madingley, President
Dr M Howse OBE, Honorary Treasurer**

Auditor's Report

Independent Auditor's Report to the Council of The Royal Academy of Engineering

We have audited the financial statements of The Royal Academy of Engineering for the year ended 31 March 2011 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Council, 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council members and the Council as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND AUDITOR

As explained more fully in the Statement of Council's Responsibilities, the Council is responsible for the preparation of the financial statements, which give a true and fair view. We have been appointed as auditor under section 43 of the Charities Act 1993 and report in accordance with that Act. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Academy's circumstances and have been consistently applied and

adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Financial Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Academy's affairs as at 31 March 2011 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Charities Act 1993 and regulations made thereunder.

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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where regulations made under the Charities Act 1993 require us to report to you if, in our opinion:

- sufficient accounting records have not been kept in respect of the Academy; or
- the financial statements do not accord with the accounting records; or
- any information contained in the financial statements is inconsistent in any material respect with the Report of the Council; or
- any information or explanation to which we are entitled has not been afforded to us.

PKF (UK) LLP
Statutory auditor

London
19 May 2011

Statement of Financial Activities

Year Ended 31 March 2011

	Notes	Unrestricted Funds £	Restricted Funds £	Total 31 March 2011 £	Total 31 March 2010 £
Incoming Resources					
Incoming Resources from Charitable Activities					
Grants	2	-	12,594,975	12,594,975	12,138,000
Contracts	4	-	4,256,020	4,256,020	4,003,033
Incoming Resources from Generated Funds					
Gifts, Donations and Legacies	5	-	2,256,246	2,256,246	1,633,062
Activities for Generating Funds					
Investment Income	6	944,642	-	944,642	746,390
Other Income	6a	733,578	-	733,578	563,709
Total Incoming Resources		1,678,220	19,107,241	20,785,461	19,084,194
Resources Expended					
Costs of Generating Funds					
Fundraising Costs		252,786	-	252,786	303,255
Investment Management Fees		81,487	-	81,487	79,666
		334,273	-	334,273	382,921
Charitable Activities					
Engaging Effectively with the Public	7	591,569	2,407,534	2,999,103	2,759,045
Attracting More People into Engineering	7	104,545	3,084,966	3,189,511	3,050,779
Enhancing the Contribution of Engineering	7	-	10,819,495	10,819,495	10,385,109
Developing the Academy	7	349,433	539,000	888,433	916,712
		1,045,547	16,850,995	17,896,542	17,111,645
Governance Costs	8	37,168	-	37,168	39,925
Total Resources Expended		1,416,988	16,850,995	18,267,983	17,534,491
Net Incoming Resources		261,232	2,256,246	2,517,478	1,549,703
Net Investment Gains/(Losses)					
Realised (Losses)/Gains		(248,287)	-	(248,287)	444,783
Unrealised Investment Gains	11	1,595,364	-	1,595,364	3,195,057
Total Investment Gains		1,347,077	-	1,347,077	3,639,840
Actuarial Gain/(Losses) on Defined Benefit Pension Scheme		57,000	-	57,000	(205,000)
Net Movement in Funds		1,665,309	2,256,246	3,921,555	4,984,543
Fund Balances Brought Forward 1 April		17,977,165	1,673,229	19,650,394	14,665,851
Fund Balances Carried Forward 31 March	16,17	19,642,474	3,929,475	23,571,949	19,650,394

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 2011

	Notes	Year Ended 31 March 2011		Year Ended 31 March 2010	
		£	£	£	£
Tangible Fixed Assets	10		5,691,046		5,062,512
Investments	11		15,613,568		14,511,203
Current Assets					
Debtors	12	1,908,363		910,426	
Stock	13	11,174		13,400	
Cash at Bank		70,489		2,284,126	
Short Term Deposits		18,059,893		13,428,870	
		20,049,919		16,636,822	
Current Liabilities					
Creditors (amounts falling due within one year)	14a	(16,703,494)		(15,034,277)	
Net Current Assets			3,346,425		1,602,545
Creditors (amounts falling due beyond one year)	14b		(1,559,090)		(1,667,866)
Defined Benefit Pension Scheme Asset	9b		480,000		142,000
Net Assets			23,571,949		19,650,394
Charitable Funds:					
Restricted Funds	16		3,929,475		1,673,229
Unrestricted Funds					
Special Funds	16		251,781		232,181
Building Development Fund	16		333,419		459,819
RAEng MacRobert Award Fund	16		1,378,837		1,434,037
Education Support Fund	16		159,675		215,153
General Fund	16	17,038,762		15,493,975	
Pension Fund Surplus	16	480,000		142,000	
			17,518,762		15,635,975
Total Charitable Funds			23,571,949		19,650,394

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

Signed on behalf of the Council on 19 May 2011

Lord Browne of Madingley, President

Dr M Howse OBE FEng, Honorary Treasurer

Cash Flow Statement

Year Ended 31 March 2011

	2011 £	2010 £
Reconciliation of Changes in Resources to Net Cash Inflow from Operations		
Net Incoming Resources (as reported)	2,517,478	1,549,703
Less: FRS17 Operating Pension Adjustment	(8,000)	50,000
Less: Payment to Pension Fund	(273,000)	(173,000)
Less Income from Interest and Dividends	(944,642)	(746,390)
Depreciation	145,216	136,255
(Increase)/Decrease in Debtors	(997,937)	189,509
Decrease in Short Term Creditors	1,669,217	2,610,537
(Decrease)/Increase in Long Term Creditors	(108,776)	(132,120)
Decrease in stock	2,226	3,610
Net Cash Inflow from Operating Activities	2,001,782	3,488,104

Cash Flow Statement

Net Cash Inflow from Operating Activities	2,001,782	3,488,104
Returns on Investments (Note1)	944,642	746,390
Capital Expenditure and Financial Investment (Note 1)	(529,038)	(103,514)
Increase in Cash	2,417,386	4,130,980

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

Increase in Cash in the Period	2,417,386	4,130,980
Net Cash at 1 April	15,712,996	11,582,016
Net cash at 31 March	18,130,382	15,712,996

NOTES TO THE CASH FLOW STATEMENT

Note 1 - GROSS CASH FLOWS

Returns on investments

Dividends Received	630,856	498,235
Income from Fixed Interest Bonds	107,514	69,871
Interest Received net of Interest Paid	206,272	178,284
	944,642	746,390

Capital expenditure and financial investment

Purchase of Tangible Fixed Assets	(773,750)	(16,840)
Purchase of Investments	(1,942,461)	(2,135,909)
Proceeds from Sale of Investments	2,187,173	2,049,235
	(529,038)	(103,514)

Note 2 - ANALYSIS OF CHANGES IN NET CASH

Cash in hand plus bank deposits

As at 1 April	15,712,996	11,582,016
Cash Flows	2,417,386	4,130,980
As at 31 March	18,130,382	15,712,996

Notes to the Accounts

For the Year Ended 31 March 2011

NOTE 1 – ACCOUNTING POLICIES

(a) Basis of Preparation of the Accounts

The annual report, incorporating the financial statements for the year ended 31 March 2011, 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*

Carlton House Terrace

Development Work – *to be depreciated after completion*

(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 2011

		Unrestricted Funds	Restricted Funds	Totals 31 March 2011	Totals 31 March 2010
		£	£	£	£
Note 2 - Grants					
Parliamentary Grant-in-Aid	3	-	12,594,975	12,594,975	12,138,000
Note 3 - Parliamentary Grant-in-Aid					
Grant in Aid was expended on:					
External Projects		-	9,846,000	9,846,000	9,226,000
Cost of Managing External Projects		-	2,748,975	2,748,975	2,912,000
		-	12,594,975	12,594,975	12,138,000
Note 4 - Contracts					
EPSRC		-	1,602,031	1,602,031	1,581,385
London Engineering Project		-	-	-	472,902
Bloodhound Education Programme		-	-	-	300,022
BEST Support		-	-	-	94,854
Engineers for Enterprise		-	-	-	63,300
Leverhulme		-	535,230	535,230	286,835
Building Engineering Physics		-	45,000	45,000	83,000
Engineering Education Scheme (Wales)		-	-	-	17,000
Africa-UK Engineering Development Partnership		-	27,017	27,017	75,000
Tribal Education Scheme		-	65,960	65,960	177,400
ExxonMobil HESS		-	4,266	4,266	55,000
RSDF Elster		-	5,000	5,000	13,750
DCSF Support		-	13,954	13,954	12,000
Barrow Engineering Project		-	-	-	37,566
Electronic Patients Records		-	3,295	3,295	39,743
Petrofac Scholarships		-	53,364	53,364	28,107
Shell Visiting Teaching Fellows		-	19,976	19,976	28,500
MOD Fellowships		-	3,991	3,991	56,146
Engineering Engagement BAE		-	203,237	203,237	116,083
Technology Enhancement Programme		-	118,001	118,001	48,606
National HE STEM Programme		-	756,960	756,960	69,521
Engineering FE BP		-	126,478	126,478	5,097
Visiting Teaching Fellows		-	50,115	50,115	-
Sainsbury Management Fellowships		-	300,000	300,000	333,216
Executive Engineers Programme		-	26,736	26,736	-
Education for Engineering (E4E)		-	75,955	75,955	-
Modern Technician Class		-	210,045	210,045	-
Other Contracts		-	9,409	9,409	8,000
		-	4,256,020	4,256,020	4,003,033

Notes to the Accounts

Year Ended 31 March 2011

	Unrestricted Funds	Restricted Funds	Totals 31 March 2011	Totals 31 March 2010
	£	£	£	£
Note 5 - Gifts, Donations and Legacies				
Development Appeal	-	1,876,246	1,876,246	1,580,808
Legacies	-	380,000	380,000	52,254
	-	2,256,246	2,256,246	1,633,062

Note 6 - Investment Income

Dividends from Equity Investments	630,856	-	630,856	498,235
Income from Fixed Interest Bonds	107,514	-	107,514	69,871
Interest on Bank Deposits	206,272	-	206,272	178,284
	944,642	-	944,642	746,390

Note 6a - Other Income

Conferences and Events	225,288	-	225,288	200,274
Academy Internal Events	-	-	-	1,281
Subscription Income	221,679	-	221,679	199,901
Advertising Income & Sale of Ties	131,527	-	131,527	51,770
Facilities Income	155,084	-	155,084	110,483
	733,578	-	733,578	563,709

	Engaging effectively with the public	Attracting more people into engineering	Enhancing the contribution of engineering	Developing the Academy	Total 31 March 2011	Total 31 March 2010
	£	£	£	£	£	£
Unrestricted						
Charitable Activities	497,483	97,545	-	139,125	734,153	538,404
Charitable Grants	-	7,000	-	-	7,000	8,725
Staff Costs	63,649	-	-	70,426	134,075	199,130
Other Support Costs	30,437	-	-	22,522	52,959	38,102
3 Carlton House Terrace Costs						
- Development Costs	-	-	-	117,360	117,360	164,939
	591,569	104,545	-	349,433	1,045,547	949,300
Restricted						
Charitable Activities	527,800	1,302,066	200	-	1,830,066	1,769,162
Charitable Grants	507,700	708,500	10,077,295	-	11,293,495	11,203,351
Staff Costs	1,229,756	959,439	662,606	-	2,851,801	2,442,633
Accommodation Costs	-	-	-	480,096	480,096	445,566
Other Support Costs	142,278	114,961	79,394	58,904	395,537	301,633
	2,407,534	3,084,966	10,819,495	539,000	16,850,995	16,162,345
Total Charitable Activities	2,999,103	3,189,511	10,819,495	888,433	17,896,542	17,111,645

	2011 £	2010 £
Note 8 - Governance Costs		
Auditors fees:		
- Audit	19,868	18,006
Legal and Professional Fees	17,300	21,919
	37,168	39,925

Note 9 - Staff and Pensions Costs

(a) Staff Costs Analysis

Gross Salaries	2,539,950	2,318,005
Employers National Insurance	258,486	252,365
Benefits in Kind	22,052	22,788
Pension Charge	271,260	257,141
Other Staff Costs (including Recruitment, Temporary staff)	213,078	206,525
	3,304,826	3,056,824

Gross salaries in 2010/11 includes redundancy costs of £137,000 and Ground Floor reception costs of £30,000 which in prior years were paid through an agency.

Average number of staff in the year by activity:	Number	Number
- Education Affairs	19	19
- Strategy and Planning Affairs	16	16
- Communications and External Affairs	11	11
- Executive, Development, Finance and Administration	18	18
	64	64

No remuneration is paid to the President or members of the Council of The Academy. Travelling expenses to attend Council meetings were reimbursed to seven Council members in 2009/10 amounting to £6,266 (2009/10 £6,230). For 2010/11 no Council members were reimbursed for travelling expenses to attend other meetings on behalf of the Academy in the UK and overseas (2009/10 £1,500 for one member).

	2011	2010
The emoluments of higher paid staff within the following scales were:	Number*	Number
£60,001 - £70,000	1	2
£70,001 - £80,000	1	2
£80,001 - £90,000	1	1
£90,001 - £100,000	2	-
£150,001 - £160,000	1	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 2011 by a qualified independent actuary. The assumptions used were as follows:

	Year Ending 31 March	
	2011	2010
Final Assumptions	% p.a.	% p.a.
Discount Rate	5.40	5.50
Price Inflation	3.40	3.20
Salary Increases	3.90	3.70
Rate of increases of pensions in payment		
- pre 6 April 1997 pension	3.00	3.00
- 6 April 1997 to 30 November 1999 pension	3.50	3.30
- post 30 November 1999 pension	3.30	3.10
Rate of increase for deferred pensioners	3.40	3.20
Expected return on assets (as at year end)	5.24	5.43

The overall expected return on assets assumption of 5.24% as at 31 March 2011 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	
	2011	2010
Demographic Assumptions	% p.a.	% p.a.
Mortality (Pre retirement)	Nil	Nil
Mortality (Post retirement)	S1PAmc(yob)	PCA00mc(yob)

The assets of the scheme are invested in a diversified portfolio

	Year Ending 31 March					
	2011		2010		2009	
	Market value £000s	% of total scheme assets	Market value £000s	% of total scheme assets	Market value £000s	% of total scheme assets
Equities	1,522	31%	1,471	32%	1,006	27%
Bonds	642	13%	-	-	-	-
Gilts	2,588	52%	3,021	67%	2,698	72%
Cash	180	4%	36	1%	27	1%
Total	4,932		4,528		3,731	
The actual return on assets over the period was	315		710		(129)	

	Year Ending 31 March	
	2011 £000s	2010 £000s
Reconciliation to the balance sheet		
Market value of assets	4,932	4,528
Present value of liabilities	4,452	4,386
Surplus/Deficit in the scheme	480	142
Irrecoverable Surplus	-	-
Pension asset recognised in the balance sheet before allowance for deferred tax	480	142
Analysis of changes in the value of the scheme liabilities over the year		
Value of liabilities at start of year	4,386	3,507
Service cost	-	-
Interest cost	236	223
Member contributions	-	-
Benefits paid	(184)	(86)
Actuarial losses	14	742
Value of liabilities at end of year	4,452	4,386
Analysis of changes in the value of the scheme assets over the year		
Market value of assets at start of year	4,528	3,731
Expected return on Scheme assets	244	173
Actuarial gain	71	537
Employer contributions	273	173
Benefits paid	(184)	(86)
Market value of assets at end of year	4,932	4,528
Amounts recognised in Statement of Financial Activities (SOFA)		
Current service cost	-	-
Past service cost	-	-
Net (gain) loss charged to SOFA	-	-
Analysis of amount charged to other finance income		
Interest on liabilities	(236)	(223)
Expected return on scheme assets	244	173
Net (charge) credit to other finance income	8	(50)
Total SOFA charge before deduction for tax	(8)	50
Amounts recognised in Statement of Financial Activities (SOFA)		
Actuarial gains/(losses)	57	(205)
Limit on recognition of assets	-	-
Total amount recognised in SOFA	57	(205)

Notes to the Accounts

	Year Ending 31 March				
	2011 £000s	2010 £000s	2009 £000s	2008 £000s	2007 £000s
History of assets, liabilities, experience gains and losses					
Market value of scheme assets	4,932	4,528	3,731	3,842	3,834
Value of scheme liabilities	4,452	4,386	3,507	3,632	4,505
Surplus/(Deficit) in the scheme	480	142	224	210	(671)
Gains/(losses) arising on scheme liabilities:					
Due to experience	0	0	97	468	13
% of liabilities	0	0	0	0	0
Due to change of basis	(14)	(742)	187	436	215
% of liabilities	0	(0)	0	0	0
Experience gains/(losses):					
Arising on scheme assets	71	537	(346)	(116)	(66)
% of assets	0	0	(0)	(0)	(0)

The cumulative amount of actuarial gains and losses recognised in the SOFA (since 2005) is £268,000.

Future funding obligation

The last actuarial valuation of the scheme was performed by the Actuary for the Trustees as at 1 January 2009. The Academy agreed payments to pay deficit contributions of £173,000 pa for seven years. The employer paid £273,000 to the scheme during the accounting year beginning 1 April 2010 and expects to pay £173,000 to the scheme during the accounting year beginning 1 April 2011. The next valuation is expected in January 2012 and may affect the payment plan.

	Computer Equipment	Office Fixtures & Fittings	Leasehold Improvements	Carlton House Terrace	Total
	£	£	£	£	£

Note 10 - Tangible Fixed Assets

Cost

At 1 April 2010	160,713	35,207	5,310,000	-	5,505,920
Assets Disposed	-	-	-	-	-
Additions	43,028	29,393	-	701,329	773,750
At 31 March 2011	203,741	64,600	5,310,000	701,329	6,279,670

Depreciation

At 1 April 2010	137,183	22,634	283,591	-	443,408
Assets Disposed	-	-	-	-	-
Charge for Year	18,850	9,006	117,360	-	145,216
At 31 March 2011	156,033	31,640	400,951	-	588,624

Net Book Value

At 31 March 2011	47,708	32,960	4,909,049	701,329	5,691,046
At 31 March 2010	23,530	12,573	5,026,409	-	5,062,512

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.

	2011 General Fund £	2010 Total Portfolios £
Market Value at 1 April	14,511,203	10,784,689
Add Acquisitions at Cost	1,942,461	2,135,909
Less: Disposals at Book Value	(2,435,460)	(1,604,452)
Net Unrealised Gain on Revaluation at 31 March	1,595,364	3,195,057
Market Value at 31 March	15,613,568	14,511,203

All investments consist of securities listed on the London Stock Exchange of which fixed interest bonds amounts to approximately £1.4 million in value. Two stocks each represented more than 5% of the portfolio, they were (with values at 31 March 2011): Treasury Stock 3.25% 2011 (£1,220,000) and Royal Dutch Shell (£861,060). 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 £	2011 Total £	2010 Total £
Market Value at 1 April 2010	12,685,613	1,825,590	14,511,203	10,784,689
Market Value at 31 March 2011	13,826,347	1,787,221	15,613,568	14,511,203
Cost at 31 March 2011	10,360,264	1,781,812	12,142,076	11,785,670

Notes to the Accounts

	2011 Total £	2010 Total £
Note 12 - Debtors		
Grants and Sponsorship Receivable	1,092,562	596,611
Prepayments	210,290	186,153
Gift Aid Recoverable	336,948	-
Other Debtors	268,563	127,662
	1,908,363	910,426

Note 13 - Stocks		
Publications, Academy ties, presentation plates and medals	11,174	13,400

Note 14a - Creditors (Amounts falling due within one year)		
Payments in Advance	10,296	27,737
Committed Grants	13,180,710	12,834,960
Deferred Income	2,276,018	1,583,047
Subscriptions in Advance	153,476	145,374
Other Creditors	969,348	247,329
Social Security & Other Costs	3,218	85,401
Bank Loan	110,428	110,428
	16,703,494	15,034,276

Note 14b - Creditors (Amounts falling beyond one year)		
Bank Loan*		
- Due within two to five years	343,241	343,241
- Due after five years	1,215,849	1,324,625
Amount due at 31 March	1,559,090	1,667,866

* 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 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.
- **RAEng/EP SRC Research Fellowships** are administered by the Academy and funded jointly by the Academy and the Engineering and Physical Sciences Research Council.
- **Sainsbury Management Fellowships** supports chartered engineers to study MBA degrees at leading international Business Schools.

- **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.
- **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.
- **Petrofac Fellowships** support masters level education of engineers wishing to pursue a technically specialist role in the oil and gas industry.
- **Shell Visiting Teaching Fellows** supports industrial engineers working at the operational level to enrich the curriculum in technologies associated with the upstream and downstream operations of the oil and gas industries.
- **Visiting Teaching Fellows** supports industrial engineers working at the operational level to enrich the curriculum in technologies associated with the built environment.
- **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.
- **The 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 FE lectures and learners through the Engineering FE Programme.
- **Engineering Leadership Scheme** assists undergraduate engineering students to realise their full potential and achieve their career goals.
- **Executive Engineers Programme** is a continuing professional development programme for recent engineering graduates wishing to advance their careers rapidly and achieve Chartered status.
- **Electronic Patient Records** is used to engage young people in debate about Electronic Patient Records.
- **Modern Technician Class** promotes the status and harmonising of technicians registration across Science, Engineering, Technology and Health Sectors.
- **Education for Engineering** provides information and advice for Government on Education and Skills Policy.
- **RSDF Elster** supports research students to acquire skills which complement their research capability.
- **Carlton House Terrace Fund** will be used to develop 3 Carlton House Terrace into a national forum of engineering excellence.
- **Ms Morag Campbell Nelder** legacy is to be used to fund an award to support excellence in engineering.
- **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 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 gift from the Gatsby Charitable Foundation to support education and engagement activities.

Notes to the Accounts

	Balance at 1 April 2010	Incoming Resources	Resources Expended	Tranfers Between Funds	Net Gains	Balance at 31 March 2011
	£	£	£	£	£	£
Restricted Funds						
Grant-in-Aid	-	12,594,975	(12,594,975)	-	-	-
Sainsbury Management Fellowships	-	300,000	(300,000)	-	-	-
RAEng/EPSRC Research Fellowships	-	1,602,031	(1,602,031)	-	-	-
Leverhulme SRFs	-	535,230	(535,230)	-	-	-
Building Engineering Physics	-	45,000	(45,000)	-	-	-
Africa-UK Engineering Development Partnership	-	27,017	(27,017)	-	-	-
Tribal Education Scheme	-	65,960	(65,960)	-	-	-
ExxonMobil HESS	-	4,266	(4,266)	-	-	-
RSDF Elster	-	5,000	(5,000)	-	-	-
DCSF Support	-	13,954	(13,954)	-	-	-
ExxonMobil Fellowships	75,495	-	-	-	-	75,495
Engineering Leadership Awards	16,926	-	-	-	-	16,926
Electronic Patents Records	-	3,295	(3,295)	-	-	-
Petrofac Scholarships	-	53,364	(53,364)	-	-	-
Shell Visiting Teaching Fellows	-	19,976	(19,976)	-	-	-
MOD Fellowships	-	3,991	(3,991)	-	-	-
Engineering Engagement Project BAE	-	203,237	(203,237)	-	-	-
Technology Enhancement Programme	-	118,001	(118,001)	-	-	-
National HE STEM Programme	-	756,960	(756,960)	-	-	-
Engineering FE (BP)	-	126,478	(126,478)	-	-	-
Executive Engineers Programme	-	26,736	(26,736)	-	-	-
Education for Engineering	-	75,955	(75,955)	-	-	-
Modern Technician Class	-	210,045	(210,045)	-	-	-
Visiting Teaching Fellows	-	50,115	(50,115)	-	-	-
Carlton House Terrace Fund	1,580,808	1,876,246	-	-	-	3,457,054
Ms Morag Campbell Nelder - Legacy	-	380,000	-	-	-	380,000
Ad Hoc Awards	-	9,409	(9,409)	-	-	-
Total Restricted Funds	1,673,229	19,107,241	(16,850,995)	-	-	3,929,475

	Balance at 1 April 2010 £	Incoming Resources £	Resources Expended £	Tranfers Between Funds £	Net Gains £	Balance at 31 March 2011 £
Designated Funds						
<i>Special Funds</i>						
- Sir Angus Paton Bequest	102,748	-	(7,000)	-	-	95,748
- Hinton Bequest	28,658	-	-	-	-	28,658
- Lloyd's Register Fund	2,024	-	-	-	-	2,024
- Building Maintenance Fund	98,751	-	26,600	-	-	125,351
Total Special Funds	232,181	-	19,600	-	-	251,781
<i>Building Development Fund</i>	459,819		(126,400)	-	-	333,419
<i>RAEng MacRobert Award</i>	1,434,037	-	(55,200)	-	-	1,378,837
<i>Education Support Fund</i>	215,153	-	(55,478)	-	-	159,675
Total Designated Funds	2,341,190	-	(217,478)	-	-	2,123,712
General Fund	15,493,975	1,678,220	(1,199,510)	(281,000)	1,347,077	17,038,762
Pension Fund Surplus	142,000	-	-	281,000	57,000	480,000
Total Funds	19,650,394	20,785,461	(18,267,983)	-	1,404,077	23,571,949

Note 17 - Analysis of Net Assets between Funds

	Tangible Fixed Assets £	Investments £	Current Assets/ £	Liabilities/ Pension Asset £	Total Net Assets £
Restricted Funds	701,329	-	18,684,874	(15,456,728)	3,929,475
Reserves					
Special Funds	-	-	251,781	-	251,781
Building Development Fund	-	333,419	-	-	333,419
RAEng MacRobert Award Fund	-	1,378,837	-	-	1,378,837
Education Support Fund	-	159,675	-	-	159,675
General Fund	4,989,717	13,741,637	1,113,264	(2,805,856)	17,038,762
Pension Fund Surplus	-	-	-	480,000	480,000
Total Funds	5,691,046	15,613,568	20,049,919	(17,782,584)	23,571,949



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

Registered charity number 293074

The Royal Academy of Engineering
3 Carlton House Terrace, London SW1Y 5DG
Tel: 020 7766 0600 Fax: 020 7930 1549
www.raeng.org.uk