



ROYAL  
ACADEMY  
*of*  
ENGINEERING

An abstract 3D graphic composed of various geometric shapes like cubes, cylinders, and spheres, arranged in a dynamic, curved path. The scene is lit from the right, creating strong highlights and deep shadows against a dark background.

**Financial report and accounts**  
for the year ended 31 March 2004

# Contents

	Page
Honorary Treasurer's statement	1
Report of Council	2
Name and registered office	2
Officers, Council Members, Principal Executives, Members of Finance and Audit Committee and Professional Advisers	2
Elections to Council	3
Strategic objectives	3
Organisation	4
Investment powers	4
Review of activities during the year	4
Internal control	5
Reserves policy	5
Review of transactions for the year	6
Recipients of Academy grants	7
Risk assessment	8
Ethnic and gender monitoring	8
Statement of Council's responsibilities	9
Independent auditors' report to the members of the Royal Academy of Engineering	10
 <b>THE ACCOUNTS</b>	
Statement of financial activities	11
Balance sheet	12
Cash flow statement	13
Notes to the accounts	14

# Honorary Treasurer's statement



## Results for the year

Overall income increased over the previous year by £270,000 to a new record of £8.1 million. The Office of Science and Technology provided the mainstay support to the Academy's engineering research programmes and increased Grant-in-Aid funding by 10% to £5.3 million. The Gatsby Charitable Foundation continued to support the **Best** Engineering Education Programme at a high level during the year with funding of £1.1 million. A new business plan for the **Best** Programme was agreed with Gatsby during the year, the aim of the plan being to expand the Programme within a co-ordinated management structure. The Engineering and Physical Sciences Research Council (EPSRC) expanded its support for the Engineering Postdoctoral Research Fellowships programme with a grant of £318,000.

Excluding grants payable, direct expenditure, management and administration costs fell by 6% over the previous year to £2,985,000. This decrease was due to a transfer of £300,000 to the Academy's defined benefits pension scheme in the previous year. When this effect is excluded, the remaining costs in this category increased by 4%. Staff costs increased by 7% due to general salary increases and an expansion in staff numbers from 40 to 41. Accommodation costs increased by 12% to £898,000 due, in the main, to the cost of £74,000 for external building repair and redecoration work, this work is carried out every five years under the terms of the building lease. The result for the year was an operating surplus before investment gains of £18,000.

## Investments

Following nearly three years of falling stock market prices, the year saw a welcome recovery in equities. The value of the investment portfolios increased by over 35% to £7.7 million with realised and unrealised gains totalling nearly £2 million. However investment income remained under pressure with a reduction of 1% to £307,000, this was due to reduced yields in a number of sectors. There was also a further reduction from 8% to 4% in tax credit transitional relief allowed to charities, this represented a loss of income of £13,000. The Finance and Audit Committee remain of the opinion that the policy of investing in equities is the right one and provides the best prospect for long term growth in value and income.

## Finance and Audit Committee

Following its change of name from Finance to Finance and Audit Committee in 2003, the Committee has expanded its activities during the year into areas of internal review. A number of reviews have been made on key areas of Academy activity and management control procedures. These reviews have all been satisfactorily concluded with improvement plans agreed. Internal reviews will continue to form an important element of the Committee's work for the future.

## Pension fund

These accounts have been prepared in compliance with the transitional rules of financial reporting standard FRS17(Retirement Benefits). FRS17 requires an actuarial estimate to be made of the Academy's pension fund and for this to be declared in the accounts. An actuarial valuation was conducted on 1 January 2003 and the Scheme actuary has updated this valuation in order to assess the liabilities of the Scheme at 31 March 2004. The deficit in the Scheme at 31 March 2004 has been reduced by £99,000 to £855,000 compared with the previous year. The principal reasons for this were (a) the investment return assumed in last year's calculation was lower than that actually achieved which reduced the deficit by about £0.2 million, and (b) the assumption on salary inflation is higher in this year's calculation than last year which adds about £0.1 million to the deficit. The estimate of the values of the assets and liabilities of the final salary scheme (closed to new members since 1 January 2000) is given in Note 9(b) to these accounts.

Signed on behalf of Finance and Audit Committee 13 May 2004

**F C Price FREng, Honorary Treasurer**

# Report of Council

## Name and registered office

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

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

### Officers

President	Sir Alec Broers DL FRS
Immediate Past President ( <i>ex officio</i> )	Sir David Davies CBE FRS
Senior Vice President	Sir Duncan Michael
Vice Presidents	Mr G A Campbell Professor P J Dowling CBE DL FRS (until 8.7.03) Dr S E Ion OBE Mr P C Ruffles CBE RDI FRS Mr P Saraga (from 8.7.03) Professor R W E Shannon CBE (until 8.7.03) Dr R S Steedman (from 8.7.03) Sir Peter Williams CBE FRS
Honorary Treasurer	Dr J W Herbert (until 8.7.03) Mr F C Price (from 8.7.03)
Hon Secretary for International Activities	Mr P Saraga (from 8.7.03) Professor R W E Shannon CBE (until 8.7.03)
Hon Secretary for Education & Training	Professor G F Hewitt FRS (until 8.7.03) Dr J E King (from 8.7.03)
Chairman, Research Secondments Committee	Professor R Eatock Taylor (from 8.7.03)

### Ordinary Council Members

Sir Richard Brook OBE	Professor D A Nethercot (until 8.7.03)
Mr M J Earwicker	Professor J J O'Reilly (until 8.7.03)
Professor D Fisk (from 8.7.03)	Mr J H Robinson (until 8.7.03)
Sir Peter Gershon (from 8.7.03)	Professor C M Taylor
Dr K W Gray CBE	Mr T Truman OBE
Professor W Hall CBE	Professor P N T Wells FRS
Mr N D Haste (from 8.7.03)	Mr J P Weston (from 8.7.03)
Dr J E King CBE (until 8.7.03)	Professor R A Williams (from 8.7.03)
Mr G R Mackenzie OBE (until 8.7.03)	

### Ex Officio Council Member

Chairman, Membership Committee	Dr J R Forrest CBE
--------------------------------	--------------------

### Principal Executives

Chief Executive	Mr P D Greenish CBE
Director of Finance and Administration	Mr A Thomas
Director of Education Affairs	Dr R W Ditchfield
Director of Engineering Affairs	Mr K Davis
Director of Communications	Mr T McLaughlan

## Members of Finance and Audit Committee

Chairman and Honorary Treasurer

Dr J W Herbert\* (until 8.7.03)  
Mr F C Price\* (from 8.7.03)

### Committee Members

Mr C V Betts CB  
Mr P K Blair OBE  
Professor R W E Shannon CBE\* (from 8.7.03)

Mr K J Ralls (until 8.7.03)  
Mr M J Earwicker\* (from 8.7.03)

\* Denotes current or former members of Council

## Professional Advisers

Bankers

National Westminster Bank plc  
Charing Cross, London Branch  
P O Box 113, Cavell House  
2a Charing Cross Road  
London WC2H 0NN

Solicitors

Bristows  
3 Lincoln's Inn Fields  
London WC2A 3BP

Auditors

PKF  
Farringdon Place  
20 Farringdon Road  
London EC1M 3AP

Investment Advisers

OLIM Limited  
Pollen House  
10/12 Cork Street  
London W1X 1PD

Property Advisers

HMC  
10 Savile Row  
London W1S 3PF

## Elections to Council

Council members are elected for a term of three years. With effect from the Annual General Meeting of 7 July 2004, five ordinary members of Council are to be elected by a postal ballot of Fellows each year. The candidates for election are divided into the five engineering discipline groups, namely civil, electrical, IT, mechanical and process. One candidate from each discipline group is to be elected. Council elects its officers from a list of candidates proposed by the Council Nominations Committee. The President is elected for a term of five years and the other officers for a term of three years. The immediate Past President also serves on Council for five years.

## Strategic objectives

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

- **Enhancing national capabilities** – Encourage, support and facilitate links between academia and industry. Enhance the UK's performance in the application of science, technology transfer and the promotion and exploitation of innovation. Support high quality engineering research, encourage an interdisciplinary ethos, facilitate international exchange and provide a means of determining and disseminating best practice. Focus on complex and multidisciplinary areas of rapid development where the Academy can make the greatest impact.
- **Recognising excellence and inspiring the next generation** – Celebrate engineering excellence and use it to inspire, support and challenge tomorrow's engineering leaders. Focus initiatives on developing excellence and demonstrating to the young and those who influence them the relevance of engineering to society.

- **Leading debate** – Use the leadership and expertise of the Fellowship in order to guide informed thinking, influence public policy making, provide a forum for the mutual exchange of ideas and pursue effective engagement with society on matters within the Academy's competence. Advocate progressive, forward-looking solutions based on impartial advice and quality foundations, and work to enhance appreciation of the positive role of engineering and its contribution to the economic strength of the nation.

## Organisation

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

## Investment powers

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

## Review of activities during the year

Details of activities are given in the Annual Review 2003/04 which is published simultaneously as a separate document. The results of activities during the year may be summarised as follows:

- At the AGM on 8 July 2003, 50 new Fellows and 6 Foreign Members were elected.
- Public events and Fellows' meetings comprised 4 public lectures, 2 major conferences, 4 technical briefings and 7 other events.
- Fellows made 3 visits to engineering establishments during the year.
- The Royal Academy of Engineering Prince Philip Medal was awarded to Professor David Rhodes CBE FREng FRS.
- The Royal Academy of Engineering Sir Frank Whittle Medal was awarded to Professor Roland Clift OBE FREng; 4 Silver Medals were awarded to Professor Stephen Furber FREng FRS, Professor Andrew Hopper FREng, Dr Ian Mays and Professor Richard Williams FREng; Medals for the Public Promotion of Engineering were awarded to Mr Edward Bazalgette and Mr Simon Winchcombe.
- The MacRobert Award for Engineering Innovation for 2003 was won by Radox Laboratories Ltd for a fully automated diagnostic analyser using protein biochip array technology.
- The Academy provided written responses and advice on 20 issues to Parliamentary, Government and other national bodies on a range of engineering topics.
- The Academy continued to work and liaise closely with a number of related bodies including:
  - The National Academies Policy Analysis Group (NAPAG)
  - The Royal Society
  - The Royal Society of Edinburgh
  - The Research Councils (particularly the Engineering and Physical Sciences Research Council)
  - The Engineering and Technology Board (ETB) and the Engineering Council UK
  - The Academy of Medical Sciences
- Studies and initiatives completed or underway include or relate to:
  - The Future of Engineering Research in the UK
  - DNA50 lecture: *The Role of Engineering in the Post-genomic Age*
  - Tissue engineering mission to Japan
  - Major project performance (jointly with the Major Projects Association)
  - Risk
  - Ethics and engineering
  - Waste management
  - The hydrogen economy
  - Cost of electricity generation
  - Challenges of complex IT projects (jointly with the British Computer Society)
  - Accidents, inquiries and agendas
  - Women in science, engineering and technology

- The Office of Science and Technology provided funds of £5.27 million to support a number of programmes in the area of engineering research. Activities funded by Parliamentary Grant-in-Aid were as follows:
  - Personal Research Chairs – 19 in post
  - Senior Research Fellowships – 4 in post
  - Global Research Awards – 20 awards
  - Postdoctoral Research Fellowships – 29 in post
  - Industrial Secondment Scheme – 16 awards
  - Visiting Professorships in the Principles of Engineering Design – 120 in post
  - Visiting Professorships in Engineering Design for Sustainable Development – 26 in post
  - International Travel Grants – 702 awards
  - Engineering Professional Development Awards – 60 awards involving 1,355 engineers
- The Gatsby Charitable Foundation provided funds totalling £1.1 million to support a range of schemes within the **Best** Engineering Education Programme. Activities in the programme were as follows:
  - Engineering Education Scheme – 1,729 school students participated
  - Headstart – 900 sixth form students participated at 27 universities
  - Year in Industry – 575 company placements
  - Engineering Leadership Awards – 26 awards
  - Sainsbury Management Fellowships in Engineering – 10 awards
  - Sainsbury Management Fellowships in the Life Sciences – 7 awards
- The activities in programmes funded by other organisations were:
  - ExxonMobil Engineering Teaching Fellowships – 6 awards
  - Panasonic Trust Awards for study on masters' courses related to the environment – 65 awards
  - Panasonic Trust Fellowships in environmental technology – 6 awards.
  - Sir Angus Paton Bursary – 1 award

## Internal control

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

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

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

## Reserves policy

Finance and Audit Committee has considered the level of reserves as part of the twice yearly risk assessment review procedure. The Committee has concluded that the required level of reserves is such as would enable the Academy to continue as a going concern in the event of a major reduction in income from existing sources. 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 £4 million and should achieve a maximum level of reserves of £8 million at 2004 prices within ten years.*

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

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

<b>Year ended 31 March</b>	<b>2004 £000</b>	<b>2003 £000</b>
Total funds per Balance Sheet	6,785	4,806
Deduct:		
Tangible Fixed Assets	Note 10 75	94
Restricted Funds	Note 16 114	130
Designated Special Funds	Note 16 239	312
Designated Building Fund	Note 16 1,385	964
Designated RAEng MacRobert Award Fund	Note 16 1,303	1,280
Free Reserves	<u>3,669</u>	<u>2,026</u>

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

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

## Review of transactions for the year

The financial statements are presented in the format required by the Charity Commission's revised Statement of Recommended Practice published in October 2000 (SORP 2000). The Statement of Financial Activities shows the gross income from all sources and the split of activity between restricted and unrestricted funds. Total incoming resources for the year were £8.1 million, which was an increase of 3% over the previous year.

### Grant-in-Aid

The Academy is grateful to the Office of Science and Technology for providing Parliamentary Grant-in-Aid to support activities aimed at promoting engineering research in the UK. Grant-in-Aid at £5.3 million was the single largest contribution to funds and represented 65% of total incoming resources.

### Best Engineering Education Programme

The Academy's **Best** Engineering Education Programme aims to improve engineering education from school through to postgraduate professional development. During the year, a new Business Plan for the **Best** Programme was approved by the Academy and the strategic partners who support the Programme. The aims of the plan are to expand the Programme and to provide greater co-ordination of the management of the activities contained within it. The **Best** Programme is supported extensively by the Gatsby Charitable Foundation to whom the Academy is very grateful. Gatsby was the second largest contributor of funds during the year at £1.1 million or 14% of total incoming resources.

### Other income

Other major sources of income during the year were: investment, rental, subscription and facilities hire income at £0.9 million (11% of total incoming resources); other grants, contracts and events at £0.6 million (8% of total); and donations at £0.1 million (2% of total).

### Direct charitable expenditure

Direct charitable expenditure was £7.5 million during the year or 94% of total resources expended. Of this total, £4.9 million represented direct grants paid under various programmes and £2.6 million represented the direct costs of operating those programmes. Central management and administration costs amounted to £0.4 million or 5% of total direct charitable expenditure.

### Cost of generating funds

The cost of generating funds consists of fees paid to investment managers and the promotional costs of the **Best** Engineering Education Programme. These costs totalled £0.1 million or 1% of total resources expended.

### Investments

Investment assets are divided into two portfolios. The first is the General Fund Portfolio with the objective of generating income whilst preserving the capital value of the fund in real terms. During the year the General Fund generated £269,000 of income with realised gains of £24,000 and unrealised gains of £1,642,000. Over the year the value of the General Fund increased by 35% compared with an increase in the benchmark FTSE All Share (Capital Only) Index of 27%.

The second portfolio is the Building Fund Portfolio, founded initially on the individual donations of Fellows. The objective of the Building Fund is to act as a source of finance for the provision and enhancement of a headquarters building for the Academy. All income to this fund is reinvested. During the year the portfolio generated £54,000 of income for reinvestment; there were realised gains of £9,000 and unrealised gains of £285,000. Over the year the value of the Building Fund increased by 35% compared with an increase in the benchmark FTSE All Share Index of 31%.

### Fixed assets

Capital expenditure during the year amounted to £27,000, of which 47% was spent replacing or upgrading the IT network and 53% on other equipment and furniture. The majority of capital expenditure was on routine replacement of equipment and there were no significant items of expenditure to report.

## Recipients of Academy grants

The Academy made over 1,100 grants and awards to organisations and individuals in 2003/04 totalling £4.9 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>	EPDA <sup>4</sup>	Total
1	Imperial College, London	259,595	1,000	11,200	26,400	–	–	298,195
2	Engineering Development Trust	–	–	–	–	236,900	–	236,900
3	Bristol University	106,956	88,900	5,000	8,300	–	–	209,156
4	Cambridge University	130,143	18,500	–	34,000	–	–	182,643
5	Sheffield University	132,315	21,000	–	11,500	–	–	164,815
6	Strathclyde University	77,537	21,000	–	10,500	–	–	109,037
7	Southampton University	73,051	1,000	7,500	12,400	–	–	93,951
8	INSEAD (France)	–	–	–	–	92,000	–	92,000
9	Loughborough University	57,964	6,250	6,500	11,000	–	–	81,714
10	Cardiff University	39,794	21,000	11,510	4,500	–	–	76,804
11	Queen's University Belfast	28,010	22,000	19,750	6,800	–	–	76,560
12	Glasgow University	40,417	21,000	6,000	7,800	–	–	75,217
13	University College London	55,507	–	5,000	10,600	–	–	71,107
14	Leeds University	37,075	21,000	–	11,600	–	–	69,675
15	Liverpool University	47,100	16,000	–	6,500	–	–	69,600
16	Dundee University	63,024	1,000	–	4,100	–	–	68,124
17	Cranfield University	36,767	5,000	–	22,100	–	–	63,867
18	UMIST	20,907	21,000	–	9,300	–	–	51,207
19	HEC (France)	–	–	–	–	50,000	–	50,000
20	Oxford University	41,526	1,000	–	5,600	–	–	48,126
21	Surrey University	16,933	18,500	–	8,800	–	–	44,233
22	Edinburgh University	16,000	13,500	8,720	3,900	–	–	42,120
23	Birmingham University	4,278	12,500	9,000	13,400	–	–	39,178
24	York University	31,500	–	–	3,400	–	–	34,900
25	Bradford University	–	21,000	–	12,900	–	–	33,900
26	Heriot-Watt University	22,445	1,000	–	10,100	–	–	33,545
27	Brunel University	28,592	1,000	–	2,700	–	–	32,292
28	City University	–	21,000	5,900	2,000	–	–	28,900
29	Hertfordshire University	–	1,000	24,200	2,400	–	–	27,600
30	Bath University	–	21,000	–	5,400	–	–	26,400
31	Sheffield Hallam University	–	20,000	–	4,400	–	–	24,400
32	Harvard University (US)	–	–	–	21,000	–	–	21,000
33	Ulster University	–	17,500	–	2,900	–	–	20,400
34	Chicago University (US)	–	–	–	–	20,000	–	20,000
35	Kellogg Institute (US)	–	–	–	–	20,000	–	20,000
36	Nottingham University	8,927	1,000	–	9,600	–	–	19,527
37	Bournemouth University	–	17,500	–	1,700	–	–	19,200
38	MIT (US)	–	–	–	–	19,000	–	19,000

<b>Amounts in £</b>		<b>Research 1</b>	<b>Visiting Profs 2</b>	<b>Industrial Sec'mnts</b>	<b>Travel Grants</b>	<b>Educ'n 3</b>	<b>EPDA 4</b>	<b>Total</b>
39	De Montfort University	–	18,500	–	–	–	–	18,500
40	Aston University	–	13,500	–	4,900	–	–	18,400
41	Napier University	3,500	–	9,350	3,900	–	–	16,750
42	Warwick	4,520	1,000	–	7,100	–	–	12,620
43	Waterman Partnership	–	–	–	–	–	10,000	10,000
44	Durham University	4,000	1,000	–	4,200	–	–	9,200
45	Rolls-Royce plc	–	–	–	–	–	9,000	9,000
46	MITIE Engineering Services Ltd	–	–	–	–	–	8,000	8,000
47	React Engineering Ltd	–	–	–	–	–	8,000	8,000
48	Grimley Smith Associates	–	–	–	–	–	7,000	7,000
49	Plymouth University	–	1,000	–	6,000	–	–	7,000
50	Royal College of Art	–	5,000	–	1,500	–	–	6,500

*Notes:*

1 Research comprises Personal Research Chairs, Senior Research Fellowships, Postdoctoral Research Fellowships and Global Research Awards.

2 Visiting Professorships are awarded in the Principles of Engineering Design and Design for Sustainable Development.

3 Education comprises funding for the Engineering Education Scheme, the Year in Industry Scheme, the Headstart Scheme and the Sainsbury Management Fellowship Scheme.

4 EPDA stands for the Engineering Professional Development Award Scheme.

## Risk assessment

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

## Ethnic and gender monitoring

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

		<b>Fellowship</b>	<b>Recipients of Grants/Awards</b>	<b>Staff</b>
		<b>%</b>	<b>%</b>	<b>%</b>
<b>Gender</b>	Male	98	80	55
	Female	2	20	45
<b>Ethnicity<sup>1</sup></b>	White	98	75	79
	Mixed	*	2	–
	Asian/Asian British	1	8	13
	Black/Black British	–	2	8
	Chinese/Other Ethnic Group	1	13	–

*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

# Statement of Council's responsibilities

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

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

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

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

Signed under delegated authority on behalf of Council on 13 May 2004

**Sir Alec Broers, President**

**F C Price, Honorary Treasurer**

# 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 2004 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Members of the Academy, as a body, in accordance with Regulation 6 of the Charities (Accounts and Reports) Regulations 1995. Our audit work has been undertaken so that we might state to the Members those matters we are required to state to them in an auditor's report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Academy, as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the Council and auditors**

The Council's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Council's Responsibilities.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

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

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

## **Basis of audit opinion**

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

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

## **Opinion**

In our opinion the financial statements give a true and fair view of the state of the charity's affairs as at 31 March 2004 and of its incoming resources and application of resources in the year then ended and have been properly prepared in accordance with the Charities Act 1993.

In our opinion, in all material aspects the income from the Office of Science and Technology has been applied to the purposes intended by Parliament as set out in the Financial Memorandum and the financial transactions conform to the authorities which govern them.

**London**  
**13 May 2004**

**PKF**  
**Registered Auditors**

# Statement of financial activities

Year Ended 31 March 2004

	Notes	Unrestricted Funds £	Restricted Funds £	Totals 31 March 2004 £	Totals 31 March 2003 £
<b>Incoming Resources</b>					
Activities in Furtherance of Objectives	2	236,806	6,944,297	7,181,103	6,860,045
Activities for Generating Funds	4	730,903	–	730,903	751,567
Donations, Legacies and Covenants Received		91,382	50,000	141,382	171,610
<b>Total Incoming Resources</b>		<b>1,059,091</b>	<b>6,994,297</b>	<b>8,053,388</b>	<b>7,783,222</b>
<b>Expenditure</b>					
Direct Charitable Expenditure:					
– Grants Payable	6	124,755	4,815,431	4,940,186	4,635,315
– Other Direct Expenditure	7	371,017	2,194,389	2,565,406	2,483,420
– Management and Administration	7,9	419,737	–	419,737	690,669
Cost of Generating Funds	8	110,061	–	110,061	105,972
<b>Total Resources Expended</b>		<b>1,025,570</b>	<b>7,009,820</b>	<b>8,035,390</b>	<b>7,915,376</b>
<b>Net Incoming/(Outgoing) Resources</b>		<b>33,521</b>	<b>(15,523)</b>	<b>17,998</b>	<b>(132,154)</b>
<b>Net Investment Gains/(Losses)</b>					
Realised Gains/(Losses) on Investments		32,739	–	32,739	(513,091)
Unrealised Investment Gains/(Losses)	11	1,927,759	–	1,927,759	(2,042,802)
<b>Total Investment Gains/(Losses)</b>		<b>1,960,498</b>	<b>–</b>	<b>1,960,498</b>	<b>(2,555,893)</b>
<b>Net Movement in Funds</b>		<b>1,994,019</b>	<b>(15,523)</b>	<b>1,978,496</b>	<b>(2,688,047)</b>
<b>Fund Balances Brought Forward 1 April</b>		<b>4,676,530</b>	<b>129,917</b>	<b>4,806,447</b>	<b>7,494,494</b>
<b>Fund Balances Carried Forward 31 March</b>	16,17	<b>6,670,549</b>	<b>114,394</b>	<b>6,784,943</b>	<b>4,806,447</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 2004

	Notes	Year ended 31 March 2004		Year ended 31 March 2003	
		£	£	£	£
<b>Tangible Fixed Assets</b>	10		75,102		94,146
<b>Investments</b>	11		7,708,501		5,684,621
<b>Current Assets</b>					
Debtors	12	540,283		400,178	
Stock	13	19,334		24,916	
Cash at Bank		1,852,535		1,684,091	
Short Term Deposits		174,923		44,275	
		2,587,075		2,153,460	
<b>Current Liabilities</b>					
Creditors (amounts falling due within one year)	14	3,585,735		3,125,780	
<b>Net Current Liabilities</b>			(998,660)		(972,320)
<b>Net Assets</b>			6,784,943		4,806,447
<b>Financed by:</b>					
<b>Restricted Funds</b>	16		114,394		129,917
<b>Unrestricted Funds:</b>					
<b>Special Funds</b>	16		239,171		312,178
<b>Building Fund</b>	16		1,384,583		964,405
<b>RAEng MacRobert Award Fund</b>	16		1,302,597		1,279,875
<b>General Fund</b>	16		3,744,198		2,120,072
<b>Accumulated Funds</b>			6,784,943		4,806,447

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

Signed on behalf of the Council on 13 May 2004

**Sir Alec Broers, President**

**F C Price, Hon Treasurer**

# Cash Flow Statement

Year Ended 31 March 2004

	2004 £	2003 £
<b>Reconciliation of Changes in Resources to Net Cash Inflow from Operations</b>		
Net Incoming/(Outgoing) Resources:	17,998	(132,154)
Less Income from Interest and Dividends	(408,198)	(411,184)
Depreciation Net of Disposals	45,689	42,326
(Increase)/Decrease in Debtors	(140,105)	46,116
Increase in Creditors	459,955	522,090
Decrease/(Increase) in stock	5,582	(997)
<b>Net Cash (Outflow)/Inflow from Operating Activities</b>	<b>(19,079)</b>	<b>66,197</b>

## Cash Flow Statement

Net Cash (Outflow)/Inflow from Operating Activities	(19,079)	66,197
Returns on Investments (Note1)	408,198	411,184
Capital Expenditure and Financial Investment (Note 1)	(90,027)	(528,802)
<b>Increase/(Decrease) in Cash</b>	<b>299,092</b>	<b>(51,421)</b>

<b>Reconciliation of Net Cash Flow to Movement in Net Cash (note 2)</b>		
Increase/(Decrease) in Cash in the Period	299,092	(51,421)
Net Cash at 1 April	1,728,367	1,779,788
<b>Net cash at 31 March</b>	<b>2,027,459</b>	<b>1,728,367</b>

### NOTES TO THE CASH FLOW STATEMENT

#### Note 1 – GROSS CASH FLOWS

##### Returns on investments

Dividends Received	306,843	310,484
Interest Received	89,601	75,861
Tax credit transitional relief on investment income	11,754	24,839
	408,198	411,184

##### Capital expenditure and financial investment

Purchase of Tangible Fixed Assets	(26,645)	(52,622)
Purchase of Investments	(349,341)	(1,731,712)
Proceeds from Sale of Investments	285,959	1,255,532
	(90,027)	(528,802)

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

##### Cash in hand plus bank deposits

As at 1 April	1,728,367	1,779,788
Cash Flows	299,092	(51,421)
As at 31 March	2,027,459	1,728,367

# Notes to the accounts

For the year ended 31 March 2004

## **Note 1 – Accounting policies**

### **(a) Basis of accounting**

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

### **(b) Government Grant-in-Aid**

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

### **(c) Grants payable**

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

### **(d) Income**

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

### **(e) Management and administration costs**

The Academy operates a time ledger system for recording time spent by staff in working on grants, contracts, administrative and other activities. The apportionment of costs between the various activities is calculated on the basis of time spent on those activities.

### **(f) Depreciation and amortisation**

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

Computer equipment	33.3 per cent
Office Fixtures and Fittings	20 per cent

### **(g) Stocks**

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

### **(h) Covenanted income**

Covenants have been grossed up to include income tax recoverable.

### **(i) Investments**

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

### **(j) Operating leases**

Rentals paid under operating leases are charged to Resources Expended in the Statement of Financial Activities as incurred. Rental income from operating leases is recognised on a straight line basis over the period of the lease.

### **(k) Pensions**

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

### **(l) Funds**

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

	Notes	Unrestricted Funds £	Restricted Funds £	Totals 31 March 2004 £	Totals 31 March 2003 £
<b>Note 2 – Activities in Furtherance of Objectives</b>					
Grant in Aid	3	–	5,270,000	5,270,000	4,770,000
Engineering Education Programme		–	1,103,582	1,103,582	1,289,906
Other Grants & Awards		8,000	570,715	578,715	527,783
Conferences & Seminars		62,549	–	62,549	117,221
Subscription Income		163,336	–	163,336	152,630
Academy Internal Events		2,921	–	2,921	2,505
		236,806	6,944,297	7,181,103	6,860,045

### Note 3 – Government Grant in Aid

Grant in Aid was expended on:

External Projects		–	3,254,000	3,254,000	2,894,000
Cost of Managing External Projects		–	2,016,000	2,016,000	1,876,000
		–	5,270,000	5,270,000	4,770,000

### Note 4 – Activities for Generating Funds

Investment Income	5	408,198	–	408,198	411,184
Rental Income		187,500	–	187,500	187,500
Facilities Income		134,033	–	134,033	152,094
Sale of Publications & Ties		1,172	–	1,172	789
		730,903	–	730,903	751,567

### Note 5 – Investment Income

Dividends and Investment Income		306,843	–	306,843	310,484
Tax credit transitional relief on investment income		11,754	–	11,754	24,839
Interest on Bank Deposits		89,601	–	89,601	75,861
		408,198	–	408,198	411,184

### Note 6 – Grants Payable

Grant in Aid		–	3,254,000	3,254,000	2,894,000
Other Grants & Awards		124,755	632,849	757,604	652,409
Engineering Education Programme		–	928,582	928,582	1,088,906
		124,755	4,815,431	4,940,186	4,635,315

### Note 7 – Other Direct Expenditure and Management and Administration

#### (a) Other Direct Expenditure

Staff Costs		127,056	1,327,578	1,454,634	1,371,063
Accommodation Costs		67,489	705,184	772,673	692,837
Support Costs		15,469	161,627	177,096	209,384
Conferences, Seminars and Other Activity Costs		161,003	–	161,003	210,136
		371,017	2,194,389	2,565,406	2,483,420

#### (b) Management and Administration

Staff Costs		235,774	–	235,774	209,684
Additional contribution to RAEng Pension Fund		–	–	–	300,000
Accommodation Costs		125,239	–	125,239	105,959
Audit Fees		17,603	–	17,603	16,748
Legal & Professional Fees		12,417	–	12,417	26,256
Support Costs		28,704	–	28,704	32,022
		419,737	–	419,737	690,669

Notes	Unrestricted Funds £	Restricted Funds £	Totals 31 March 2004 £	Totals 31 March 2003 £
-------	----------------------------	--------------------------	---------------------------------	---------------------------------

**Note 7 (continued)**

**(c) Total Other Direct Expenditure and Management and Administration (a + b)**

Staff Costs	362,830	1,327,578	1,690,408	1,580,747
Additional contribution to RAEng Pension Fund	–	–	–	300,000
Accommodation Costs	192,728	705,184	897,912	798,796
Audit Fees	17,603	–	17,603	16,748
Legal & Professional Fees	12,417	–	12,417	26,256
Support Costs	44,173	161,627	205,800	241,406
Conferences, Seminars and Other Activity Costs	161,003	–	161,003	210,136
	790,754	2,194,389	2,985,143	3,174,089

**(d) Fees for Other Services Paid to Auditors**

Fees for taxation advice work	5,266	–	5,266	5,053
(The above fees are included with Legal and Professional Fees)				

**Note 8 – Cost of Generating Funds**

Best Engineering Education Promotion Costs (Staff Costs)	66,889	–	66,889	66,695
Investment Management Fees	43,172	–	43,172	39,277
	110,061	–	110,061	105,972

**Note 9 – Staff and Pensions Costs**

	2004 £	2003 £
<b>(a) Staff Costs Analysis (incl. Staff Costs in Note 8)</b>		
Gross Salaries	1,317,498	1,223,236
Employers National Insurance	128,730	107,051
Benefits in Kind	16,362	15,122
Pension Charge (Normal)	205,038	221,505
Other Staff Costs (inc. Recruitment, Temporary staff)	89,669	80,528
	1,757,297	1,647,442

Average number of staff in the year by activity:

– Education Affairs	10	10
– Engineering Affairs	10	9
– External Affairs	6	6
– Executive and Administration	15	15
	41	40

No remuneration is paid to the President or members of the Council of The Academy. Travelling expenses to attend Council meetings were reimbursed to eight Council members in 2003/04 amounting to £1,677 (2002/03 £1,820). Travelling expenses to attend other meetings on behalf of The Academy in the UK and overseas were reimbursed to nine Council members in 2003/04 amounting to £7,800 (2002/03 £6,838). One of the Academy's trustees, Professor David Fisk CB, was appointed to the BP/Royal Academy of Engineering Chair of Sustainable Development at Imperial College on 1 March 2002, prior to his appointment as a trustee of the Academy on 8 July 2003. In the year to 31 March 2004 the Royal Academy of Engineering contributed £29,153 to Imperial College in respect of its half-share of the cost of the Chair.

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

£50,001–£60,000	3	3
£60,001–£70,000	1	–
£90,001–£100,000	–	1

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

## Note 9(b) – Pensions

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

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

For the purpose of providing the disclosures required by Financial Reporting Standard 17, the Scheme actuary has updated the valuation of the Scheme as at 1 January 2003 in order to assess the liabilities of the Scheme at 31 March 2004. The major assumptions used by the Actuary as at 31 March 2004 were as follows:

	<b>At 31 March 2004</b>	<b>At 31 March 2003</b>	<b>At 31 March 2002</b>
Rate of Increase in Salaries	4.5% p.a.	4% p.a.	4.5% p.a.
Limited Price Indexation Pension Increases	3% p.a.	2.5% p.a.	3% p.a.
Discount Rate	5.5% p.a.	5.5% p.a.	6% p.a.
Inflation Assumption	3% p.a.	2.5% p.a.	3% p.a.

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

	<b>Year ending 31 March</b>					
	<b>2004</b>		<b>2003</b>		<b>2002</b>	
	<b>Expected Rate of Return</b>	<b>Value £000s</b>	<b>Expected Rate of Return</b>	<b>Value £000s</b>	<b>Expected Rate of Return</b>	<b>Value £000s</b>
Equities & Property	7.3%	1,682	7%	995	7.5%	1,223
Bonds	5%	245	4.75%	152	5.5%	131
Cash	4%	86	4%	477	4%	195
<b>Total</b>		<b>2,013</b>		<b>1,624</b>		<b>1,549</b>

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

The funding position of the Scheme was as follows:

	<b>Year ending 31 March</b>		
	<b>2004 £000s</b>	<b>2003 £000s</b>	<b>2002 £000s</b>
Total market value of assets	2,013	1,624	1,549
Present value of Scheme liabilities	(2,868)	(2,578)	(2,281)
Deficit in the Scheme	(855)	(954)	(732)

<b>Analysis of actuarial loss</b>	<b>Year ending 31 March</b>	
	<b>2004 £000s</b>	<b>2003 £000s</b>
Actual return less expected return on pension scheme assets	192	(483)
Experience gains and losses arising on scheme liabilities	29	64
Changes in assumptions underlying present value of scheme liabilities	(68)	(109)
Actuarial gain/(loss)	153	(528)

**Year ending 31 March**

<b>Movement in deficit during the year</b>	<b>2004 £000s</b>	<b>2003 £000s</b>
Deficit in Scheme at beginning of year	(954)	(732)
Current service cost	(158)	(142)
Contributions	151	476
Past service costs	Nil	Nil
Other finance income	(47)	(28)
Actuarial gain/(loss)	153	(528)
Deficit in Scheme at end of year	(855)	(954)

**Year ending 31 March**

<b>Analysis of the amount to be credited to other finance income</b>	<b>2004 £000s</b>	<b>2003 £000s</b>
Expected return on pension scheme assets	98	122
Interest on pension scheme liabilities	(145)	(150)
Net return	(47)	(28)

**Year ending 31 March**

<b>History of experience gains and losses</b>	<b>2004 £000s</b>	<b>2003 £000s</b>
Difference between expected and actual return on Scheme assets:		
Amount	192	(483)
Percentage of Scheme assets	9.5%	29.7%
Experience gains and losses on Scheme liabilities:		
Amount	29	64
Percentage of present value of Scheme liabilities	1.0%	2.5%
Total amount recognised in statement of total recognised gains and losses:		
Amount	153	(528)
Percentage of present value of Scheme liabilities	5.3%	20.5%

During the year, The Academy has contributed to the Scheme at the rate of 34.5% of Members' Annual Salaries (less Member contributions). The agreed contribution rate is 34.5% of Members' Annual Salaries (less Member contributions) for the period to 31 July 2005 and 34.3% of Members' Annual Salaries (less Member contributions) thereafter, subject to review at future actuarial valuations. The current service cost will increase as Members of the Scheme approach retirement.

	£	Computer Equipment £	Office Fixtures & Fittings £	Leasehold Improvements £	Total
<b>Note 10 – Tangible Fixed Assets</b>					
<b>Cost</b>					
At 1 April 2003		88,201	110,259	509,790	708,250
Assets Disposed		(6,845)	(13,656)	–	(20,501)
Additions		12,551	14,094	–	26,645
At 31 March 2004		93,907	110,697	509,790	714,394
<b>Depreciation</b>					
At 1 April 2003		56,571	47,743	509,790	614,104
Assets Disposed		(6,845)	(13,656)	–	(20,501)
Charge for Year		23,224	22,465	–	45,689
At 31 March 2004		72,950	56,552	509,790	639,292
<b>Net Book Value</b>					
At 31 March 2004		20,957	54,145	–	75,102
At 31 March 2003		31,630	62,516	–	94,146

### Note 11 – Investments

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

	General Fund £	Building Fund £	Total Portfolios £
Market Value at 1 April 2003	4,741,494	943,127	5,684,621
Add Acquisitions at Cost	132,866	216,475	349,341
Less: Disposals at Book Value	(114,850)	(138,370)	(253,220)
Net Gain on Revaluation at 31 March 2004	1,642,280	285,479	1,927,759
Market Value at 31 March 2004	6,401,790	1,306,711	7,708,501
All investments consist of securities listed on the London Stock Exchange			
Cost at 31 March 2004	5,476,337	1,102,561	6,578,898

	2004 £	2003 £
<b>Note 12 – Debtors</b>		
Grants and Sponsorship Receivable	225,797	172,409
Prepayments	179,021	57,006
Other Debtors	135,465	170,763
	540,283	400,178

### Note 13 – Stocks

Publications, Academy ties, presentation plates and medals	19,334	24,916
--	--------	--------

### Note 14 – Creditors (Amounts falling due within one year)

Payments in Advance	101,709	91,593
Committed Grants	3,252,978	2,787,534
Subscriptions in Advance	99,835	108,073
Other Creditors	131,213	138,580
	3,585,735	3,125,780

### Note 15 – Future Commitments

Annual Commitments under Operating Leases		
Maturing in less than one year (Equipment)	1,128	–
Maturing between one and five years (Property and Equipment)	209,093	21,890
Maturing after more than five years (Property)	381,000	563,500
	591,221	585,390

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

### **(b) Designated Funds**

#### **Special Funds**

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

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

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

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

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

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

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

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

#### **Building Fund**

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

#### **RAEng MacRobert Award Fund**

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

**Note 16 (continued)**

	<b>Balance at 1 April 2003</b>	<b>Incoming Resources</b>	<b>Resources Expended</b>	<b>Transfers Between Funds</b>	<b>Net Balance at Investment Gains</b>	<b>Net Balance at 31 March 2004</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Restricted Funds</b>						
Grant-in-Aid	–	5,270,000	(5,270,000)	–	–	–
Gatsby Charitable Foundation	–	1,103,582	(1,103,582)	–	–	–
ExxonMobil Fellowships	73,968	50,000	(51,667)	–	–	72,301
Engineering Leadership Awards	55,949	–	(7,593)	–	–	48,356
EPSRC Postdoctoral Research Fellowships	–	318,317	(318,317)	–	–	–
Ad Hoc Awards	–	252,398	(258,661)	–	–	(6,263)
<b>Total Restricted Funds</b>	<b>129,917</b>	<b>6,994,297</b>	<b>(7,009,820)</b>	<b>–</b>	<b>–</b>	<b>114,394</b>
<b>Designated Funds</b>						
<i>Special Funds</i>						
The Presidents's Fund	5,818	–	(446)	395	–	5,767
Sir Angus Paton Bequest	107,223	–	(7,000)	7,306	–	107,529
Hinton Bequest	38,923	–	(9,184)	2,418	–	32,157
Lloyds Register Fund	5,660	–	(5,803)	143	–	–
UK Focus Fund	62,941	8,635	–	4,738	–	76,314
Building Maintenance Fund	81,520	–	(74,209)	–	–	7,311
Additional Presidential Activities Fund	10,093	–	–	–	–	10,093
<i>Total Special Funds</i>	<i>312,178</i>	<i>8,635</i>	<i>(96,642)</i>	<i>15,000</i>	<i>–</i>	<i>239,171</i>
<i>Building Fund</i>	<i>964,405</i>	<i>125,777</i>	<i>–</i>	<i>–</i>	<i>294,401</i>	<i>1,384,583</i>
<i>RAEng MacRobert Award</i>	<i>1,279,875</i>	<i>–</i>	<i>(51,491)</i>	<i>74,213</i>	<i>–</i>	<i>1,302,597</i>
<b>Total Designated Funds</b>	<b>2,556,458</b>	<b>134,412</b>	<b>(148,133)</b>	<b>89,213</b>	<b>294,401</b>	<b>2,926,351</b>
<b>General Fund</b>	<b>2,120,072</b>	<b>924,679</b>	<b>(877,437)</b>	<b>(89,213)</b>	<b>1,666,097</b>	<b>3,744,198</b>
<b>Total Funds</b>	<b>4,806,447</b>	<b>8,053,388</b>	<b>(8,035,390)</b>	<b>–</b>	<b>1,960,498</b>	<b>6,784,943</b>

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

	<b>Tangible Fixed Assets</b>	<b>Invest- ments</b>	<b>Net Current Assets/ (Liabilities)</b>	<b>Total Net Assets</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Restricted Funds:	–	–	114,394	114,394
Reserves				
Special Funds	–	239,171	–	239,171
Building Fund	–	1,306,711	77,872	1,384,583
RAEng MacRobert Award Fund	–	1,302,597	–	1,302,597
General Fund	75,102	4,860,022	(1,190,926)	3,744,198
<b>Total Funds</b>	<b>75,102</b>	<b>7,708,501</b>	<b>(998,660)</b>	<b>6,784,943</b>

**Note 18 – The Royal Academy of Engineering Benefactors' Trust**

This Trust has been created to accept and manage legacies to The Royal Academy of Engineering. The fund stands at £2,474 on 31 March 2004 (£2,447 on 31 March 2003) and is included in cash at bank.

