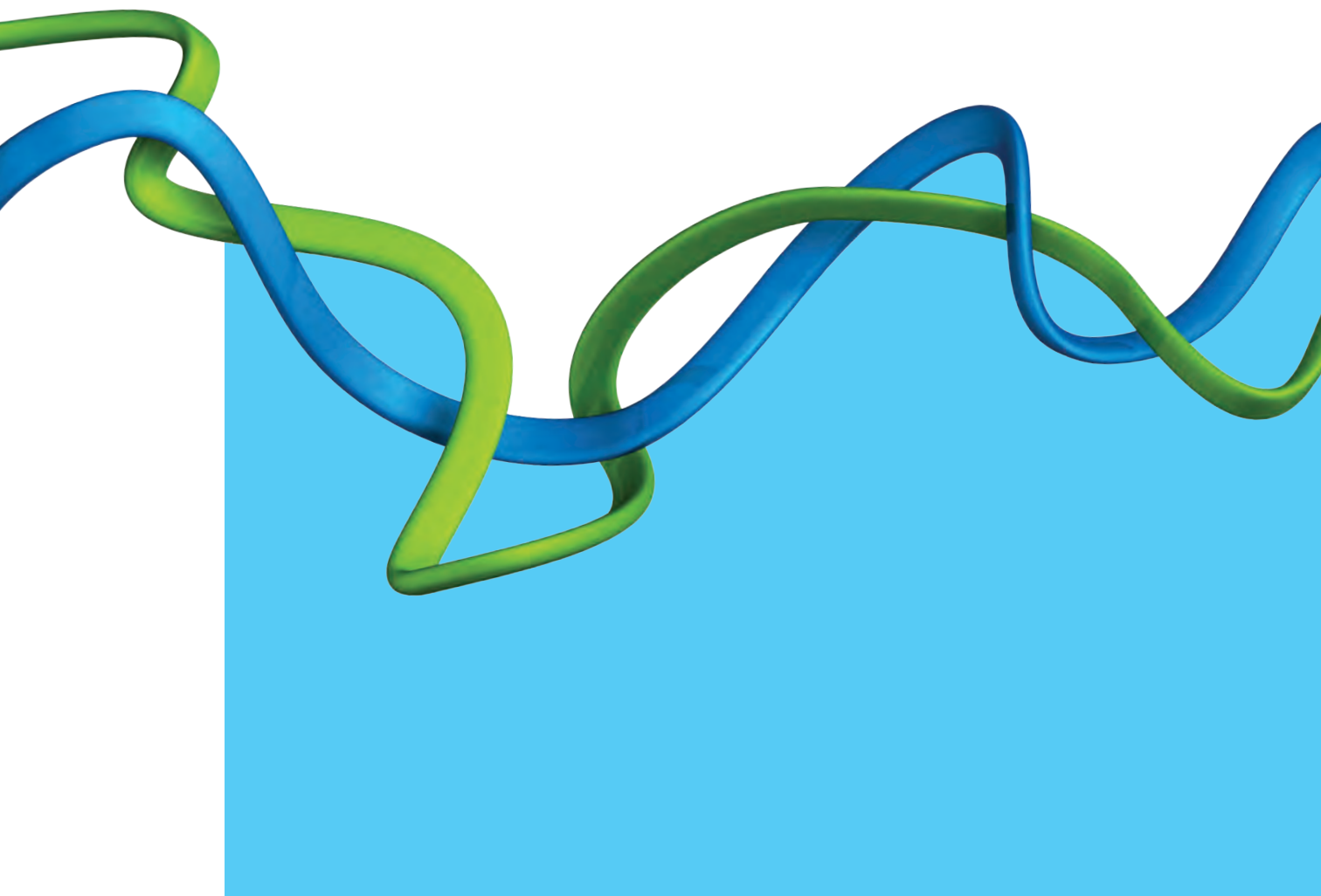


Financial **Report** and Accounts

For the year ended 31 March 2016



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Chair of the Finance Committee's statement



RESULTS FOR THE YEAR

The Academy has produced group accounts for the year, having consolidated its accounts with those of its two subsidiaries: the Queen Elizabeth Prize for Engineering Foundation and RAE Trading Limited. For the first time, the group accounts were prepared under the new Statement of Recommended Practice 2015 as defined in the Financial Reporting Standard 102.

Group income for the year was £29.2 million. Group expenditure on charitable activities was £22.0 million. The cost of generating funds across the group was £1.5 million. The carrying value of the group's net assets was £58.5 million.

ROYAL ACADEMY OF ENGINEERING

Total income for the year was £23.4 million. The largest element, core grants from the Department for Business, Innovation and Skills, was £12.4 million.

Income from other grants and contracts remained steady at £7.7 million.

Expenditure on charitable activities was £22.0 million compared to £22.9 million in the previous year. An analysis based upon the principal objective of each activity shows that, of the total charitable expenditure of £23.5 million: 68% on enhancing engineering capacity; 11% on inspiring young people; 13% on promotion of and leadership in engineering; and 8% on leading and shaping engineering policy. Employment costs increased from the previous year by 8% to £4.3 million due to firstly, the Remuneration Committee's decision to adjust staff salaries to the market mid-point and secondly, the cost of complying with pension auto-enrolment legislation; both of these were one-off increases borne within the year.

THE QUEEN ELIZABETH PRIZE FOR ENGINEERING FOUNDATION

Total income for the year was £4.5 million. Expenditure on charitable activities was £638,000. The Queen Elizabeth Prize for Engineering is awarded bi-annually and the next award will be made in 2017. The Foundation pays a management fee to the Academy for services which includes staff employed and office space.

RAE TRADING LIMITED

The commercial activity undertaken by the company during the year was the provision of rooms and catering services within Prince Philip House primarily to corporate customers. Catering services are also provided to the Academy at cost. Revenue for the year was £1.5 million and operating expenditure, including the cost of providing a service to the Academy, was £1.1 million. The net profit for the year of £419,000 was gift-aided to the Academy at the end of the financial year. The company paused trading at the end of year while refurbishment work, including new kitchens, takes place in Prince Philip House. Trading is planned to resume in January 2017.

GROUP ASSET VALUE

The carrying value of the group's net assets was £58.5 million. Investments were valued at £41.0 million, with the Academy holding £24.0 million and the Foundation holding £16.9 million. Tangible fixed assets valued at £12.2 million included the £4.3 million value of the Carlton House Terrace lease and the £7.7 million of leasehold improvements to Prince Philip House. The main liability was a bank loan of £1.1 million, which funded the Academy's property lease. The value of the group's restricted funds increased over the year by £4.2 million mainly due to donations to the Foundation. The Academy's general fund value increased slightly by £55,000.

INVESTMENTS

The value of the Academy's investment portfolio increased over the year by £1.1 million to £24.0 million. The

fund benefited from a donation of £1.7 million, which will be eventually drawn down to part fund the Enterprise Hub capital project. Realised and unrealised investment losses during the year were £563,000. Approximately 94% of the Academy's investment portfolio is held in UK equities and 6% in high-quality fixed-interest stocks. Income to the Academy from dividends and fixed-interest bonds increased by 16% during the year to £945,000 while bank interest decreased to £22,000 from £64,000. Group investment income increased by £231,000 to £1.4 million, of which £444,000 was income from the Foundation's investments, which are managed separately from those of the Academy.

FINANCE COMMITTEE

The Finance Committee meets at least four times during each financial year. Included in the items considered by the Committee during the year were the Academy's investment strategy and the funding of the £7 million Enterprise Hub capital project to complete the refurbishment of Prince Philip House. The Committee is pleased to report that the transfer of the Academy's defined benefit pension scheme was completed during the year and the future financial risk presented by the scheme thereby removed.

This is my last statement as Chair of the Finance Committee as I will stand down at the Academy's AGM on 8 September after four years in post. The Academy has secured a flat government grant in its spending review settlement for the next four years and although we should be mindful of the financial impact of the UK's departure from the EU upon the Academy's finances, which is as yet uncertain, I am confident that the Academy's financial position is strong in all other respects.

**Mr I Ritchie CBE FREng FRSE,
Chair of the Finance Committee**

Report of Trustee Board

Reference and administrative details

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 Prince Philip House, 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

Auditor

BDO LLP
55 Baker Street
London W1U 7EU

Investment advisers

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

Structure, governance and management

TRUSTEE BOARD MEMBERS

The Academy's Trustee Board comprises 13 members elected by and from the Fellowship with the discretion to co-opt up to two additional members. Trustee Board members are the trustees of the Academy as defined under its status as a registered charity. The Trustee Board will meet six times per year and it is responsible for the governance of the Academy. At these meetings the Trustee Board will discuss issues of strategy and policy and also matters referred to it by the governance committees for Finance, Audit and Risk, Membership, Nominations and Remuneration. During the year a review of the structure of the Academy's operating committees was conducted and a review of the terms of reference of each committee will be completed during the forthcoming year.

All Trustee Board members and other Fellows who take part in Academy activities give their time freely; no remuneration was paid in the year beyond the reimbursement of reasonable expenses. The majority of Academy activities are controlled by committees composed of Fellows. The members of the Trustee Board during the year were:

OFFICERS	President	Dame Ann Dowling OM DBE FREng FRS
	Vice Presidents	Mr A Cook CBE FREng Professor R Williams OBE FREng
TRUSTEE BOARD	Chair Finance Committee	Mr I Ritchie CBE FREng FRSE
	Trustee Board members	
	Dame Ann Dowling OM DBE FREng FRS	Professor E Martin OBE FREng (from 21.9.15)
	Professor H Atkinson CBE FREng	Professor R Parker CBE FREng
	Professor B Collins CB FREng (until 21.9.15)	Mr I Ritchie CBE FREng FRSE
	Mr A Cook CBE FREng	Dr J E Roberts CBE FREng (until 21.9.15)
	Professor Sir Michael Gregory CBE FREng	Dr F Saunders CB FREng (from 21.9.15)
	Dr A Harter FREng	Dr M Thomas CBE FREng
	Mr N Haste OBE FREng (from 21.9.15)	Professor Sir William Wakeham FREng (until 21.9.15)
	Dr M Howse CBE FREng	Mr P Westbury CBE FREng (from 21.9.15)
	Professor J Loughhead OBE FREng (until 21.9.15)	Professor R Williams OBE FREng

Election to the Trustee Board

Trustee Board members are elected for a term of three years with the exception of the President who is elected for a term of up to five years. The trustee election is by a ballot of Fellows each year. The Nominations Committee meets annually to draw up a list of candidates willing to stand in the trustee election and, if elected, to serve as either a Vice Presidents or a chair of a governance committee.

Induction and training of Trustee Board members

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

Report of Trustee Board

Internal control

The Finance Committee is mandated by and reports to the Trustee Board on the following issues:

- Setting a budget prior to each financial year for approval by the Trustee Board.
- 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 reserves policy annually.
- Ensuring that accounting rules are followed.

Detailed management accounts are prepared monthly within 10 working days of the month end and submitted quarterly to the Finance Committee. Summarised accounts are submitted at each Trustee Board meeting.

MEMBERS OF THE FINANCE COMMITTEE

Mr I Ritchie CBE FREng FRSE (Chair)
Mr J Baxter CBE FREng FRSE
Mrs C Burke CBE FREng (until 21.9.15)
Mr A Cook CBE FREng

Mr N Haste OBE FREng (from 21.9.15)
Professor D Lane CBE FREng (from 21.9.15)
Professor J Norton FREng

INVESTMENT POWERS

The Academy's constitution stipulates that the Chair of the Finance Committee must be a trustee of the Academy.

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 the Audit and Risk 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. A review of the Academy's risk management processes and controls was completed during the year and a new Risk Management Policy is currently being implemented. This work has identified that financial sustainability is a significant risk for the Academy. The impact of the UK's withdrawal from the European Union upon the Academy's income, including from government grants and fundraising activities, is as yet uncertain. The Queen Elizabeth Prize for Engineering Foundation has yet to raise all the funds required to sustain the prize in perpetuity.

SENIOR MANAGEMENT TEAM

Day-to-day management of the Academy is the responsibility of the Chief Executive who with the directors comprise the senior management team, which meets weekly. The remuneration of the Chief Executive and directors is set annually by the Remuneration Committee. The directors are as follows:

Chief Executive	Mr P Greenish CBE
Director, Finance and Corporate Services	Mr H Beeston ACIS
Director, Education Programmes	Dr R Morgan
Director, Policy and Public Affairs	Ms B Parkin
Director, Development	Ms S Philbrick
Director, Strategy and Planning	Dr H Sillem
Director, Queen Elizabeth Prize	Ms K Navaratnam

Objectives and activities for the public benefit

Charitable activities

The Academy has focused its efforts on four areas of activity for the public benefit:

- Promotion of, and leadership in, engineering.
- Leading and shaping engineering policy.
- Enhancing engineering capacity.
- Inspiring young people and nurturing educational skills.

In pursuing its objectives, the Academy aims to position engineering at the centre of society, and to demonstrate the contribution made by engineers and engineering to society in the UK and beyond. The Trustee Board 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

"Promotion of, and leadership in, engineering"

Main public benefits:

- Acting as a leadership body and to promote the value of engineering by harnessing the strengths of the engineering organisations.
- Working with the other national academies on a range of policy issues.
- Engaging the public in debate on engineering and its impact on society.
- Recognising great engineering through prizes and awards.

Main achievements

Engineering the Future (EtF), the overarching programme that is hosted by the Academy to bring together the professional engineering institutions (PEIs), the Engineering Council and EngineeringUK on key areas of policy, such as energy, transport, climate change, flooding, big data and innovation. Following the publication of *The Universe of Engineering: A call to action* in October 2014, the PEIs have taken each of the recommendations and formulated action to address how to make the profession fit for the future.

The MacRobert Award for innovation in UK engineering for 2015 was awarded to a team from Edinburgh-based Artemis Intelligent Power for its Digital Displacement

power system using digitally controlled hydraulics, which has the potential to transform the viability of offshore wind power and low-carbon transportation.

Other awards in 2015 were:

- Sir Frank Whittle Medal – awarded to Professor Peter Clarricoats CBE FREng FRS, Emeritus Research Professor, School of Electronic and Computer Science, Queen Mary, University of London, for his influential achievements spanning more than half a century.
- Sir George Macfarlane Medal – awarded to Dr Matthew Cole for his work in nanoscale materials science.
- Colin Campbell Mitchell Award – awarded to Optical Networks Group at University College London for its contribution to optical networks research and development of next-generation optical communications technologies.
- Silver Medals – awarded to Dr Susannah Clarke, Founder and Director of Embody Orthopaedic; Dr Don Syme, Principal Researcher at Microsoft Research UK; and Dr Andy Ward, Chief Technology Officer at Ubisense.
- Major Project Award – awarded to a team from Atkins for the Highlands and Islands superfast broadband project.
- President's Medal – awarded to Sir Richard Oliver FREng for his championing of engineering education and skills as chair of the Academy's Education for Engineering policy group.
- RAEng Armourers and Brasiers Company Prize – awarded to Professor Judith Driscoll, Professor of Materials Science at the University of Cambridge, for research that has revolutionised the properties of high temperature superconductors.
- Rooke Award – awarded to Dr Hugh Hunt for his outstanding contribution to the public promotion of engineering through a wide and varied range of activities across education, television and radio.

A number of significant events were held throughout the year, including the annual Academy Awards Dinner, the New Year Reception, three meetings in the *Innovation in...* series of events, *Ingenia* live!, and a number of lectures and meetings.

The *Ingenious* public engagement grant scheme awarded funding to 23 projects in 2015. Results from the most recent long-term tracking survey of engineers who participated in *Ingenious* projects show that, while 46% had no prior public engagement experience, almost 70%

Report of Trustee Board

had gone on to participate in additional public engagement activities after taking part in the scheme.

“Leading and shaping engineering policy”

Main public benefits:

- Enhancing the UK’s economic and social development by providing essential engineering expertise and policy advice to government and wider society, providing a unified voice for engineering on policy matters.
- Providing written responses and advice to parliamentary, governmental and other national bodies on a range of engineering topics, including the government’s Spending Review.

Main achievements

The Academy demonstrated the value of government support for innovation to secure the UK’s future growth, especially during a time of severe pressures on public finance and growing global competition. The resulting report, *Investing in Innovation*, received significant coverage in the media, as well as forming the basis for the Academy’s submission to the science budget inquiry by the House of Commons Science and Technology Select Committee.

Major Academy engineering policy reports included: *Built for living: understanding behaviour and the built environment through engineering and design*, produced jointly with Arup and the Economic and Social Research Council with support from the Royal Institute of British Architects (RIBA), University College London and the University of Leeds; *A critical time for UK energy policy: what must be done now to deliver the UK’s future energy system*, which was the third in a series of reports for the Prime Minister’s Council for Science and Technology; *Connecting data: driving productivity and innovation*, a joint report between the Academy and the Institution of Engineering and Technology (IET), which explored how the UK can create a ‘data-enabled’ economy through the use of data analytics; and the Academy’s first ‘challenge paper’ looking at *The transport congestion challenge*.

“Enhancing engineering capacity”

Main public benefits:

- Developing the health and wellbeing of the UK by improving the wealth generation of the UK economy by supporting high-quality engineering research and encouraging entrepreneurs and innovators to develop ideas.
- Facilitating links between industry and universities to translate innovative research into economic success.
- Enhancing the links between UK researchers and other international centres of excellence.

Main achievements

Academy President, Dame Ann Dowling OM DBE FREng FRS, published her *Review of Business-University Research Collaborations*, which offered advice and recommendations on how relationships between UK businesses and the UK’s world-leading university researchers could be better supported.

Achievements in programmes funded by the parliamentary grant included: 50 Research Chairs and Senior Research Fellows were in post during the year; two Research Chairs in Emerging Technologies were in post; 51 Research Fellows (including RAEng/EPSRC Research Fellowships, RAEng Research Fellowships and RAEng/MOD Fellowships) were in post; six new Industrial Secondment Scheme awards were made, with 17 in post; 41 universities had Academy Visiting Professorships in post; 18 companies participated in the Pathways to Growth scheme; 23 Distinguished Visiting Fellowship awards were made; under the Newton Fund, 41 awards were made for collaborations between the UK and Columbia, India, Kazakhstan and Thailand, and 42 exchanges were made across six countries as part of the Newton Research Collaboration Programme; eight engineering Enterprise Fellowships were awarded.

A total of 105 students were in receipt of Engineering Leadership advanced awards; 30 people took part in the Executive Engineers Programme; 20 Sainsbury Management Fellowships were awarded; four Petrofac/RAEng Fellowships were in post; two Sir Angus Patton Bursaries were granted; one Hertha Marks Ayrton Fellowship was in post; and 500 Aerospace MSc bursaries were granted.

The Academy continued to work with a number of related bodies including the National Academies, the Royal Society of Edinburgh, the Engineering Council, EngineeringUK, the 35 UK professional engineering institutions, Gatsby Charitable Foundation, the ERA Foundation, the Lloyd’s Register Foundation, Petrofac, the US National Academy of Engineering, the Chinese Academy of Engineering, the European Council of Academies of Applied Sciences, Technologies and Engineering (Euro-CASE), the international council of engineering and technological sciences academies (CAETS), the Daphne Jackson Trust, the Leverhulme Trust, and Women in Science and Engineering (WISE).

“Inspiring young people and nurturing educational skills”

Main public benefits:

- Meeting the needs of the UK economy and society by encouraging young people to study engineering.
- Promoting diversity and enabling underrepresented groups to take up a career in engineering.

- Enhancing teaching and learning.

The Academy continued to support The Big Bang Fair in 2016, the largest celebration of science, technology, engineering and maths for young people in the UK with an estimated 8,000 visiting the Academy stand over the four days.

The Academy, alongside EngineeringUK, co-leads the Tomorrow's Engineers programme, which reached more than 200,000 young people in 2015.

The Academy published the report *The UK STEM education landscape*, which highlighted the UK's engineering skills gap and teacher shortages in subjects such as physics, mathematics, computing, and design and technology.

The Academy continued to host Education for Engineering (E4E), which provided expert advice on apprenticeships and new content for engineering qualifications and enabling subjects at GCSE and A level.

The Academy's *Connecting STEM Teachers and Engineering Engagement* projects worked with hundreds of teachers to strengthen the quality of engineering education in schools and colleges.

The Visiting Teaching Engineers scheme for further education colleges was launched, to embed engineers and technicians into the curriculum.

The Academy developed the Engineering Talent Project, a multi-intervention social-marketing engagement programme designed to change perceptions of engineering among the next generation.

The Academy's diversity programme provided focused expertise to widen as well as increase participation in engineering. In 2015, the Diversity Leadership Group launched a toolkit developed with and for employers called *Increasing diversity and inclusion in engineering* at an event attended by more than 100 stakeholders.

The Academy has hosted around 160 students at a combination of summer school and engineering fast-track workshops as part of the Engineering Engagement Programme, which aims to attract undergraduates from diverse backgrounds into engineering employment.

Report of Trustee Board

Financial review

Review of transactions for the year

The financial statements are presented in the new format required by the Charity Commission's revised Statement of Recommended Practice (SORP 2015). The Statement of Financial Activities shows the gross income from all sources and the split of activity between restricted and unrestricted funds. Total group income for the year was £29.2 million. Total income decreased by £2.9 million over the previous year.

GOVERNMENT GRANT

The Academy is grateful to the Department for Business, Innovation and Skills for providing government core grant to support activities aimed primarily at promoting engineering research in the UK. Government core grant at £12.4 million was the largest contribution to funds and represented 42% of total group incoming resources. The Department of Business, Innovation and Skills made an additional grant of £3.9 million to the Newton Fund programme.

ENGINEERING EDUCATION PROGRAMMES

The Academy's engineering education programmes aim to improve engineering education from school through to postgraduate education and professional development. The Department for Business, Innovation and Skills and a group of aerospace sector companies donated £1.7 million to the MSc Aerospace Bursary Programme. BG Group made donations totalling £369,000 during the year to develop a network of support for STEM teachers in secondary schools.

DONATIONS AND LEGACIES

During the year, donations totalled £5.8 million, of which £4.0 million was to the Queen Elizabeth Prize for Engineering Foundation and £1.2 million was to the Enterprise Hub capital project.

OTHER INCOME

Other major sources of income during the year were: investments, subscriptions, events and facilities hire income at a total of £3.3 million.

CHARITABLE ACTIVITIES

Expenditure on charitable activities was £22.0 million during the year or 93% of total resources expended. Of this total, £19.1 million represented charitable activities and grants paid under various programmes and £2.9 million represented the costs of operating those programmes.

COST OF GENERATING FUNDS

The cost of generating funds consists of fees paid to investment managers, facilities hire and catering, and the staff costs and expenses associated with fundraising. These costs totalled £1.5 million or 6% of total group resources expended. The Academy is continuing with major fundraising activity aimed at obtaining funds for the enhancement and expansion of the Academy's educational programmes and public engagement activities.

INVESTMENTS

The Academy's investments are held in a general fund portfolio and a designated charity income fund. The Queen Elizabeth Prize for Engineering Foundation's investments are held in a managed investments fund. The general fund portfolio has the objective of generating income to spend on activities in support of the Academy's strategic objectives while preserving the capital value of the fund in real terms. The structure of the Academy's portfolio is currently 94% UK equities and 6% fixed-interest bonds; this allocation is reviewed regularly. During the year, the general fund generated £873,000 of income and incurred an investment loss of £563,000. Over the year, the portfolio delivered a total return of 1.7%, which was ahead of its benchmark (90% UK equities and 10% gilts) return of negative 3.1%.

FIXED ASSETS

Capital expenditure during the year amounted to £1.1 million, which was almost entirely on the leasehold improvements at Prince Philip House.

Academy's reserves policy

The Finance Committee has considered the level of Academy's general 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 Trustee Board, 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 the Finance Committee who forward recommendations to the Trustee Board 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	2016 £000	2015 £000
Total funds per group balance sheet	58,465	53,889
Exclude:		
Restricted funds	34,892	30,625
Unrestricted funds tied up in tangible fixed assets	4,508	4,656
Designated and special funds	505	493
Deduct:		
Pension fund charge on assets	-	(32)
Free reserves	18,560	18,147

The Trustees of the Queen Elizabeth Prize for Engineering Foundation consider the level of the Foundation's reserves as part of their risk assessment review process. These reserves are restricted within the group balance sheet. There are no reserves held by RAE Trading Limited as all profit arising is gift aided to the Academy.

The specific uses and needs of the restricted and designated funds held by the Academy 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.

Report of Trustee Board

Recipients of Academy grants

The Academy made over 1,000 grants and awards to organisations and individuals in 2015/2016 totalling £15.7 million. The first 50 organisations, in order of the total amount of cash paid to recipients, are listed below.

Amount in £	Visiting Professors and other programmes			Industrial secondments	Total
	Research				
1	Imperial College London	824,535	104,700	-	929,235
2	University of Southampton	574,044	147,933	-	721,977
3	Cranfield University	10,379	605,455	-	615,834
4	University of Bristol	507,860	34,168	-	542,028
5	University of Manchester	241,478	261,839	24,000	527,316
6	University of Cambridge	392,769	114,636	19,498	526,902
7	University College London	446,234	34,316	24,000	504,550
8	University of Oxford	437,353	6,458	-	443,811
9	University of Glasgow	290,004	98,295	24,000	412,299
10	University of Leeds	294,786	9,500	22,497	326,783
11	University of Surrey	269,553	46,827	-	316,380
12	University of Warwick	167,218	142,182	-	309,400
13	Heriot Watt University	288,323	9,600	-	297,923
14	University of Edinburgh	214,049	17,600	21,832	253,481
15	University of Sheffield	128,130	100,946	5,089	234,164
16	University of Strathclyde	151,551	68,562	-	220,113
17	University of Birmingham	183,213	24,868	-	208,081
18	Queen Mary and Westfield College	207,025	-	-	207,025
19	University of Nottingham	164,107	27,306	-	191,413
20	University of Bath	163,858	2,237	-	166,095
21	City University London	106,503	54,952	-	161,455
22	Lancaster University	133,800	4,750	-	138,550
23	Queen's University Belfast	107,588	24,384	-	131,972
24	Ulster University	101,875	18,181	-	120,056
25	Loughborough University	106,131	13,023	-	119,153
26	University of Brighton	-	114,038	-	114,038
27	Cardiff University	86,038	-	24,000	110,038
28	University of York	8,000	59,487	41,318	108,804
29	Universidad Nacional de Colombia	-	101,079	-	101,079
30	Universidad Industrial de Santander	-	99,782	-	99,782
31	SEO London Ltd	-	101,000	-	101,000
32	University of Huddersfield	82,000	1,450	-	83,450
33	University of the West of England, Bristol	5,919	77,282	-	83,201
34	Swansea University	5,621	46,946	23,525	76,092
35	Royal Society	72,479	-	-	72,479
36	National Institute of Technology	-	69,937	-	69,937

Amount in £	Visiting Professors and other programmes			Industrial secondments	Total
	Research				
37 University of Salford	20,000	42,983	-		62,983
38 University of Newcastle	-	60,393	-		60,393
39 University of Leicester	10,000	49,698	-		59,698
40 ClearSky Medical Diagnostics Ltd	-	56,250	-		56,250
41 Kingston University	941	51,625	-		52,566
42 Edinburgh Research and Innovation Ltd	50,000		-		50,000
43 Universidad Cooperativa de Colombia	-	50,000	-		50,000
44 Liverpool John Moores University	9,960	34,322	-		44,282
45 Universidad EIA	-	43,091	-		43,091
46 International Institute of Information Technology, Bangalore	-	43,060	-		43,060
47 University of Winchester	-	42,000	-		42,000
48 University of Liverpool	31,182	10,600	-		41,782
49 The Daphne Jackson Trust	41,041	-	-		41,041
50 The Chartered Institution of Building Services Engineers	-	40,000	-		40,000
Total	6,935,544	3,167,737	229,758		10,333,039

Notes:

1. Research comprises personal Research Chairs, Senior Research Fellowships, Research Fellowships, Distinguished Visiting Fellowships, public Engagement Awards, Newton International Fellowships, Research Exchanges with China and India, and Engineering Enterprise Fellowships.
2. Visiting Professorships and other programmes include Visiting Professorships in areas such as sustainable development and systems design, Visiting Teaching Fellowships and other engagement and education programmes.

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 programmes.

Remuneration policy

The Academy's policy is to pay staff salaries at the market mid-point. Salaries are reviewed in alternate years following a market benchmarking exercise conducted by an independent consultancy. The next review will be effective as from 1 April 2017.

Report of Trustee Board

Plans for future periods

As set out in its strategic plan, the Academy will focus on the following five strategic objectives.

Strategic challenge 1: *make the UK the leading nation for engineering innovation*

Our aim is to support the development of successful engineering innovation and businesses in the UK in order to create wealth, employment and benefit for the nation.

We will achieve this by:

- marshalling the expertise in our Fellowship and networks to deliver substantial improvement in the environment for the creation of successful, innovative, wealth-creating UK businesses at scale
- growing our investment in research that brings together industry and the best engineering researchers in UK universities
- developing our Enterprise Hub as an engine for a vibrant, well-networked and supportive community for growing innovative businesses, and as an exemplar of support for innovation and entrepreneurship in engineering and technology
- deploying our Fellows and networks to bring a strong engineering influence to bear on EU, national, regional and local industrial policy.

Strategic challenge 2: *address the engineering skills crisis*

Our aim is to meet the UK's needs by inspiring a generation of young people from all backgrounds and equipping them with the high-quality skills they need for a rewarding career in engineering.

We will achieve this by:

- working with partners to recruit many more women and other underrepresented groups to engineering
- influencing positive structural change and innovation in education, training, recruitment and retention of engineers and technicians
- working with partners to transform the effectiveness of engagement activities that bring an understanding of and aspiration for engineering to young people
- helping teachers to embed engineering in schools and colleges through programmes that support teaching and learning, and bring real-world engineering into all stages of the formation of engineers

- promoting the importance of environmental, economic and social sustainability in engineering practice and education
- recognising and nurturing future engineering leaders.

Strategic challenge 3: *position engineering at the heart of society*

Our aim is to improve public awareness and recognition of the crucial role of engineers everywhere.

We will achieve this by:

- leading a broadly based campaign to create a cultural shift in how engineers are perceived across the whole of society
- convening the most influential people for debate and discussion to find and shape engineering solutions, and provide a clear and consistent voice for engineering
- advising UK and EU governments in all areas of policy that have an engineering dimension to delivery
- engaging with the public and other professions and sharing the value of engineering
- increasing the media profile and impact of the Academy and engineering
- developing our network of engineers into powerful advocates for the profession
- recognising, celebrating and promoting excellence through awards and prizes
- supporting the Queen Elizabeth Prize for Engineering in raising its profile to the level of a Nobel Prize.

Strategic challenge 4: *lead the profession*

Our aim is to harness the expertise, energy and capacity of the profession to provide strategic direction for engineering and collaborate on solutions to the engineering grand challenges.

We will achieve this by:

- establishing a shared vision and articulating clear and consistent messages on behalf of the profession
- working with professional bodies to ensure that engineers are equipped to meet the demands of a future in which technology will have an increasing impact
- leading a programme, with industry, academia and professional institutions, to create a more inclusive culture and to transform the diversity of the engineering workforce such that it reflects UK society

- working with professional bodies to ensure that they are equipped to meet the changing needs of society and the profession they serve
- supporting public policy through the expertise available across the profession
- harnessing international partnerships to promote better policy solutions to global grand challenges and build engineering capacity in developing nations
- raising wider debate and discussion on engineering and its impact on society so that the profession understands public points of view.

Strategic challenge 5: *greatly enhance the Academy's delivery capability*

Our aim is to ensure that the Academy has the Fellows, staff, partners, funding and influence to deliver a substantially greater contribution to the nation.

We will achieve this by:

- electing an engaged Fellowship of outstanding engineers who reflect the full diversity of society and the profession
- making the Academy an organisation that the best people want to work for
- increasing the numbers of our partners and supporters
- raising more funding support from government and third parties, in particular from the private sector
- engaging more influential young people including alumni of Academy programmes
- continually improving our communications
- working to embed our values in staff, Fellows and partners, including embedding diversity within the Academy and its programmes
- ensuring that our programmes complement those of other funders and draw on the unique capabilities of the Academy
- providing high-quality business tools and services to enable staff and Fellows to deliver their work effectively and efficiently
- routinely evaluating our work and measuring our progress
- completing the refurbishment of Prince Philip House by investing £7 million in the Enterprise Hub capital project.

Professor Dame Ann Dowling OM DBE FREng FRS, President

Statement of Trustee Board's responsibilities

The Trustee Board, as charity trustees, are responsible for preparing the Report of Trustee Board and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Charity law requires the trustees to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the group and parent charity and of the incoming resources and application of resources of the group for the year. In preparing those financial statements the trustees are required to:

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP
- make judgements and accounting estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent charity and enable them to ensure that the financial statements comply with the Charities Act 2011 and regulations made thereunder. They are also responsible for safeguarding the assets of the group and parent charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Signed under delegated authority on behalf of Trustee Board on 29 July 2016.

Mr I Ritchie CBE FREng FRSE, Chair of Finance Committee

Auditor's report

Independent auditor's report to the Trustee Board of the Royal Academy of Engineering

We have audited the financial statements of the Royal Academy of Engineering for the year ended 31 March 2016, which comprise the Group Statement of Financial Activities, the Group and Parent Charity Balance Sheets, the Group 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 charity's trustees, as a body, in accordance with the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees 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 charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITOR

As explained more fully in the Statement of Trustee Board's responsibilities, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditors under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charity's affairs as at 31 March 2016, and

of the group's 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 requirements of the Charities Act 2011.

OPINION ON OTHER MATTER AS REQUIRED BY BIS GRANT LETTER

In our opinion, in all material aspects, the grant payments received from the Department for Business, Innovation and Skills (BIS) have been applied for the purposes set out in the Grant Letter and in accordance with the terms and conditions of the agreement.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Report of the Trustee Board is inconsistent in any material respect with the financial statements
- sufficient accounting records have not been kept
- the parent charity financial statements are not in agreement with the accounting records and returns
- we have not received all the information and explanations we require for our audit.

BDO LLP

Statutory Auditor

London

United Kingdom

Date: 29 July 2016

BDO LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of financial activities

Year ended 31 March 2016	Notes	Unrestricted funds	Restricted funds	Total 31 March 2016	Total 31 March 2015
		£	£	£	£
Income from:					
Charitable activities	2, 3, 4	-	20,144,797	20,144,797	20,822,323
Donations and legacies	5	173,382	5,604,308	5,777,690	8,087,772
Other trading activities	6a	1,914,862	-	1,914,862	2,054,300
Investments	6	894,835	515,963	1,410,798	1,179,670
Total income		2,983,079	26,265,068	29,248,147	32,144,065
Expenditure on:					
Raising funds		1,337,134	143,679	1,480,813	1,494,441
Charitable activities	7	821,284	21,151,708	21,972,992	22,907,381
Other	8	88,759	7,191	95,950	43,868
Total expenditure		2,247,177	21,302,578	23,549,755	24,445,690
(Net losses)/gains on investment assets	11	(563,163)	(558,949)	(1,122,112)	1,031,338
Net income /(expenditure)		172,739	4,403,541	4,576,280	8,729,712
Transfer between funds	16	135,666	(135,666)	-	-
Other recognised gains /(losses)					
Actuarial losses on defined benefit pension scheme	9b	-	-	-	(1,865,000)
Net movement in funds		308,405	4,267,875	4,576,280	6,864,712
Fund balances brought forward 1 April		23,264,153	30,624,780	53,888,933	47,024,221
Fund balances carried forward 31 March	16, 17	23,572,559	34,892,655	58,465,214	53,888,933

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

Balance sheets

At 31 March 2016		Group		Charity	
	Notes	2016 £	2015 £	2016 £	2015 £
Tangible fixed assets	10	12,176,284	11,462,331	12,176,284	11,462,331
Investments	11	40,959,431	37,585,637	24,027,935	22,945,864
Total fixed assets		53,135,715	49,047,968	36,204,219	34,408,195
Current assets:					
Debtors	12	6,341,676	7,870,869	5,592,107	7,745,819
Stock	13	2,703	3,199	2,703	3,199
Cash at bank		6,067,191	3,819,723	2,233,966	643,924
Short term deposits		1,606,200	3,512,752	1,506,321	2,984,623
		14,017,770	15,206,543	9,335,097	11,377,565
Liabilities					
Creditors (amounts falling due within one year)	14a	(7,711,874)	(9,242,249)	(7,453,276)	(9,035,288)
Net current assets		6,305,896	5,964,294	1,881,821	2,342,277
Total assets less current liabilities		59,441,611	55,012,262	38,086,040	36,750,472
Creditors (amounts falling due beyond one year)	14b	(976,397)	(1,091,352)	(976,397)	(1,091,352)
Net assets excluding pension asset		58,465,214	53,920,910	37,109,643	35,659,120
Defined benefit pension scheme (liability)/asset	9b	-	(31,977)	-	(31,977)
Total net assets		58,465,214	53,888,933	37,109,643	35,627,143
The funds of the charity:					
Restricted income funds	16	34,892,655	30,624,780	13,551,788	12,301,142
Unrestricted funds					
Special funds	16	205,351	205,351	205,351	205,351
Designated fund	16	299,586	287,423	299,586	287,423
General fund	16	23,067,622	22,803,356	23,052,918	22,865,204
Pension reserve	16	-	(31,977)	-	(31,977)
Total unrestricted funds		23,572,559	23,264,153	23,557,855	23,326,001
Total charitable funds		58,465,214	53,888,933	37,109,643	35,627,143

These financial statements were approved and authorised for issue by the President and Chair of Finance Committee under delegated authority from the Trustee Board.

Signed on behalf of the Trustee Board on 29 July 2016

**Professor Dame Ann Dowling OM DBE FEng FRS,
President**

**Mr I Ritchie CBE FEng FRSE,
Chair of Finance Committee**

Consolidated statement of cash flows

Year ended 31 March 2016

	2016 £	2015 £
Cash flows from operating activities:		
Net cash provided by operating activities	4,675,517	307,287
Cash flows from investing activities:		
Dividends, interest and rents from investments	1,410,798	1,179,670
Purchase of property, plants and equipment	(1,126,758)	(359,134)
Proceeds from the sale of investments	4,258,173	2,850,863
Purchase of investments	(8,754,080)	(5,214,801)
Net cash provided by investing activities	(4,211,867)	(1,543,402)
Cash flows from financing activities:		
Repayments of borrowing	(122,733)	(121,414)
Cash inflows from new borrowing	-	-
Net cash used in financing activities	(122,733)	(121,414)
Change in cash and cash equivalents in the reporting period	340,917	(1,357,529)
Cash and cash equivalents at 1 April	7,332,474	8,690,004
Cash and cash equivalents at 31 March	7,673,391	7,332,475
Reconciliation of net income/(expenditure) to net cash flow from operating activities		
Net income for the reporting periods (as per the statement of financial activities)	4,576,280	6,864,712
Net losses/(gains) on investments	1,122,112	(1,031,338)
Adjustments for:		
FRS102 operating pension adjustment	-	(35,000)
Payment to pension fund	-	(1,406,023)
Depreciation charges	412,804	433,399
Dividends, interest and rents from investments	(1,410,798)	(1,179,670)
(Increase)/decrease in stocks	497	7,270
(Increased)/decrease in debtors	1,529,193	(3,082,623)
(Decrease) in creditors	(1,554,571)	(2,128,440)
Net cash provided by operating activities	4,675,517	307,287
Analysis of cash and cash equivalents		
Cash in hand	6,067,191	3,819,723
Notice deposits	1,606,200	3,512,752
Total cash and cash equivalents	7,673,391	7,332,475

Notes to the accounts

For the year ended 31 March 2016

Note 1 – Accounting policies

(a) Basis of preparation of the accounts

The annual report, incorporating the financial statements for the year ended 31 March 2016, has been prepared in accordance with the Academy's Royal Charter, and in compliance Accounting and Reporting by Charities: Statement of Recommended practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2015) – (Charities SORP (FRS102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102). The Academy meets the definition of public benefit entity under FRS102. These financial statements are the first financial statements prepared under FRS102.

(b) Reconciliation with previous Generally Accepted Accounting Practice

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS102 and the Charities SORP FRS102. No restatement of comparative items was required.

(c) 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. Following the transition under FRS102 a liabilities of £821,278 as at 31 March 2015 have been reclassified into restricted funds.

(d) Consolidation

The financial statements consolidate the results of the Academy and its own wholly

owned subsidiaries, RAE Trading Limited and The Queen Elizabeth Prize for Engineering Foundation, on a line-by-line basis. Transactions and balances between the Academy and its subsidiaries have been eliminated from the consolidated financial statements. Balances between the Academy and the subsidiaries are disclosed in the notes of the Academy's balance sheet. A separate statement of Financial Activities and Income and Expenditure Account for the Academy has not been presented because the Academy has taken advantage of the exemption afforded by section 408 of the Companies Act 2006.

(e) Income

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 probable that income will be received, and there is reasonable certainty of the amount.

- Grants receivable are recognised when entitlement to the grant is confirmed, and also include returned grants that are accounted for on receipt.
- Gifts and donations and legacies are included in full in the statement of financial activities when receivable.
- For legacies, entitlements is taken as the earlier of the date on which either: the Academy is aware that probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the Academy that a distribution will be made; or when a distribution is received

from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the Academy has been notified to the executor's intention to make a distribution.

- Income from sales of goods or contracts for services is recognised when the goods and services are delivered.
- Investment income is included in the Statement of Financial Activities in the year in which it is receivable.
- Other incoming resources consist of subscriptions, including income tax recoverable.

(f) Donated services and facilities

Donated professional services and donated facilities are recognised as income when the Academy has control over the item, any condition associated with the donated item has been met, the receipt of economic benefit from the use by the Academy of the item is probable and that economic benefit can be measured reliably. On receipt, donated professional services and donated facilities are recognised on the basis of the value of the gift to the Academy which is the amount the Academy would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

(g) Expenditure

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 raising funds comprise direct costs and expense of staff involved with fundraising, fees paid to investment fund managers, and trading costs.
- 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.

(h) Support costs

Support costs are those functions that assist the work of the Academy and mainly comprise of staff costs and overheads. These costs have been allocated between costs of raising funds and expenditure on charitable activities.

(i) Operating leases

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

(j) 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:

Office fixtures and fittings – *over five years*

Computer equipment – *over three years*

Leasehold cost – *over term of lease*

Carlton House Terrace – *over the term of lease*

(k) 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. Investments in subsidiaries are included in the financial statements at cost

(l) Pensions

The Academy operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Academy in independently administered funds. The pensions cost charge represents contributions payable to the scheme in the year. The Academy has no liability under the scheme other than the payment of those contributions.

(m) Funds

General funds are those that are available for use at the Council's discretion in the furtherance of the Academy's objectives. 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.

(n) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

(o) Stock

Stock is included at the lower of cost or net realisable value.

(p) Cash and cash equivalents at bank

Cash and cash equivalents at bank includes cash and short term highly liquid investments.

(q) Creditors and provisions

Creditors and provisions are recognised where the Academy has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

(r) Financial instruments

The Academy only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

(s) Corporation taxation

The Academy is exempt from tax on income and gains falling within section 505 of the Taxes Act 1988 or section 252 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objectives.

Notes to the accounts

Year ended 31 March 2016		Unrestricted funds	Restricted funds	Totals 31 March 2016	Totals 31 March 2015
	Notes	£	£	£	£
Note 2 - Grants					
Government grant	3	-	12,399,875	12,399,875	13,100,543
Included in prior year grant income is £13,100,543 in respect of restricted funds and nil in respect of unrestricted funds					
Note 3 - Government grant					
Grant was expended on:					
External projects		-	9,693,295	9,693,295	10,569,443
Cost of managing external projects		-	2,706,580	2,706,580	2,531,100
		-	12,399,875	12,399,875	13,100,543
Note 4 - Other grants and contracts					
RAEng/EPSRC Research Fellowships		-	211,009	211,009	645,299
Visiting Professors		-	-	-	76,385
Leverhulme Fellowships		-	328,633	328,633	335,958
Africa-UK Engineering Development Partnership		-	-	-	153,000
RSDF Elster		-	-	-	307,909
Connecting Teachers		-	368,607	368,607	243,000
Petrofac Fellowships		-	30,000	30,000	90,000
Engineering Leadership Scheme		-	68,645	68,645	75,000
MOD Fellowships		-	52,738	52,738	105,475
Engineering Engagement Project		-	-	-	15,800
Technology Enhancement Programme		-	-	-	80,739
Engineering FE		-	163,511	163,511	88,700
Visiting Teaching Fellows		-	-	-	-
Sainsbury Management Fellowships		-	300,000	300,000	384,453
Executive Engineers Programme		-	-	-	15,247
Elite Engineering Programme		-	-	-	60,588
MSc Aerospace Bursary Programme		-	1,722,688	1,722,688	1,872,304
Skills Project		-	-	-	40,477
Barrow Engineering Programme		-	20,340	20,340	20,340
KS2 STEM Resources and CPD Programme		-	75,000	75,000	111,617
Stoke Engineering Programme		-	40,500	40,500	42,677
That Could be Me Programme		-	-	-	450,000
Enterprise Hub		-	64,550	64,550	337,500
Africa Prize for Engineering Innovation		-	313,666	313,666	77,000
Engineering for Education		-	-	-	58,119
MacRobert Award		-	26,000	26,000	20,000
Industrial Secondment		-	65,347	65,347	-
Lowestoft Engineering Programme		-	6,400	6,400	-
Enriching Engineering Education Programme		-	30,667	30,667	-
Education Studies and Support		-	20,000	20,000	-

Year ended 31 March 2016		Unrestricted funds	Restricted funds	Totals 31 March 2016	Totals 31 March 2015
	Notes	£	£	£	£
Newton Fund		-	3,822,872	3,822,872	1,907,419
Policy		-	-	-	42,498
Other awards and contracts		-	13,750	13,750	64,276
		-	7,744,922	7,744,922	7,721,780
Total charitable activities		-	20,144,797	20,144,797	20,822,323

Included in prior year other grants and contract income is £7,721,780 in respect of restricted funds and nil in respect of unrestricted funds

Note 5 - Donations and legacies

Development appeal	4,311	-	4,311	87,954
Annual appeal	61,011	-	61,011	37,749
Enterprise Hub capital project	-	1,186,900	1,186,900	2,400,000
Engineering Talent Project	-	375,000	375,000	200,000
Queen Elizabeth Prize for Engineering	-	4,042,408	4,042,408	5,330,075
Other	108,060	-	108,060	31,994
	173,381	5,604,308	5,777,690	8,087,772

Included in prior year other grants and contract income is £7,721,780 in respect of restricted funds and nil in respect of unrestricted funds

Note 6 - Investment income

Dividends and income from equity investments and fixed interest bonds	873,322	506,455	1,379,777	1,104,388
Interest on bank deposits	21,513	9,508	31,021	75,282
	894,835	515,963	1,410,798	1,179,670

Included in prior year investment income is £816,629 in respect of unrestricted funds and £363,041 in respect of restricted funds

Note 6a - Other income

Sponsorship and events	277,390	-	277,390	372,971
Subscription income	275,605	-	275,605	267,367
Advertising income and merchandising	50,278	-	50,278	50,892
Conferencing business	1,311,589	-	1,311,589	1,363,070
	1,914,862	-	1,914,862	2,054,300

Included in prior year other income is £2,054,300 in respect of unrestricted funds and nil in respect of restricted funds

Notes to the accounts

	Promotion of, and leadership in, engineering	Leading and shaping engineering policy	Enhancing engineering capacity	Inspiring young people and nurturing educational skills	Queen Elizabeth Prize for Engineering Foundation	Total 31 March 2016	Total 31 March 2015
	£		£	£	£	£	£
Note 7 - Charitable activities							
Unrestricted							
Charitable activities	68,435	-	-	-	-	68,435	385,271
Charitable grants	54,349	-	-	-	-	54,349	102,100
Direct salaries	335,784	-	-	-	-	335,784	371,400
Support costs	362,716	-	-	-	-	362,716	350,069
	821,284	-	-	-	-	821,284	1,208,840
Restricted							
Charitable activities	237,399	258,655	660,351	134,880	267,587	1,558,872	3,798,764
Charitable grants	433,900	337,800	12,196,000	1,742,600	-	14,710,300	13,785,877
Direct salaries	351,100	520,200	889,200	283,000	249,652	2,293,152	2,167,506
Support costs	434,760	652,993	1,116,189	264,387	121,055	2,589,384	1,946,394
	1,457,159	1,769,648	14,861,740	2,424,867	638,294	21,151,708	21,698,541
Total charitable activities	2,278,443	1,769,648	14,861,740	2,424,867	638,294	21,972,992	22,907,381
Total support costs of £2,952,100 are made up of indirect staff costs totalling £1,373,736 and accommodation costs and overheads totalling £1,578,364.							
2015 Total charitable activities	2,691,077	1,580,191	13,770,707	3,187,611	1,677,795		22,907,381

	2016 £	2015 £
Note 8 - Other costs		
Auditor's fees:		
- Audit	40,742	34,427
- Other services	30,218	2,788
Legal and professional fees	24,990	6,653
	95,950	43,868

Note 9 - Staff and pensions costs

(a) Staff costs analysis		
Gross salaries	3,162,129	2,988,431
Employer's National Insurance	349,518	327,673
Benefits in kind	23,198	17,281
Pension charge	286,140	232,825
Other staff costs (including recruitment, temporary staff, seconded staff)	431,441	357,008
	4,252,426	3,923,218

Average number of staff in the year by activity:	Number	Number
- Engineering and education	7	7
- Programmes and fellowship	31	24
- Policy and external affairs	11	15
- Executive, development, finance and administration	16	18
- Queen Elizabeth Prize for Engineering Foundation	3	4
	68	68

No remuneration is paid to the President or members of the Trustee Board of the Academy. Travelling expenses to attend Trustee Board meetings were reimbursed to eight board members in 2015/16 amounting to £19,434 (2014/15 £10,489 - seven members).

	2016	2015
The emoluments of higher paid staff within the following scales were:	Number	Number
£60,001 - £70,000	-	2
£70,001 - £80,000	1	2
£80,001 - £90,000	1	-
£90,001 - £120,000	2	2
£120,001 - £150,000	1	1
£180,000 - £190,000	1*	1

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

The senior management team comprises of a chief executive and six directors who manage the day-to-day operations of the charity. Their aggregate remuneration in the year was £874,933 (2014-15 £851,711).

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

*The member of staff within this payment scale did not benefit from pension scheme contributions.

Notes to the accounts

Note 9(b) - Pensions

During the year, the Academy completed the transfer of its defined benefit pension scheme, which had been closed to new members in 2000 and closed to future accrual in 2007, to Aviva.

The Academy operates a defined contribution pension scheme for staff that joined after 1 January 2000 that is compliant with auto-enrolment legislation. The assets of the scheme are held separately from those of the Academy in independently administered funds. The Academy has no liability under the scheme other than the payment of contributions.

Note 10	Computer systems and equipment	Office fixtures and fittings	Leasehold	Carlton House Terrace improvement	Assets under construction	Total
	£	£	£	£		£
Tangible fixed assets (group and charity)						
Cost						
At 1 April 2015	514,218	175,577	5,310,000	7,291,672	-	13,291,467
Additions	78,635	4,692	-	-	1,043,431	1,126,758
At 31 March 2015	592,853	180,269	5,310,000	7,291,672	1,043,431	14,418,225
Depreciation						
At 1 April 2015	360,392	112,470	870,391	485,882	-	1,829,135
Charge for year	90,226	24,447	117,360	180,772	-	412,804
At 31 March 2015	450,618	136,916	987,751	666,654	-	2,241,939
Net book value						
At 31 March 2016	142,234	43,352	4,322,249	6,625,018	1,043,431	12,176,284
At 31 March 2015	153,825	63,107	4,439,609	6,805,790	-	11,462,331

All assets are used for charitable purposes.

Medal collections

- The Whittle Medals Collection are on loan from the family of Sir Frank Whittle, who patented the jet propulsion engine in 1930. The medals relate to his achievements in engineering and celebrate his successes.
- The Warner Medals Collection was a personal gift by Professor Sir Frederick Warner after his death in 2010. The medals relate to his achievements in engineering and celebrate his successes.

The Trustees consider that it is not practicable to obtain a valuation, but are satisfied that the value of the medals collections is not material.

Note 11 - Investments (group and charity)

Investments held in the general fund portfolio represent those held by the Royal Academy of Engineering with the objective of generating income for the Academy's charitable object while preserving the capital value of the portfolio.

Investments held in the restricted fund portfolio represent those held by the Queen Elizabeth Prize for Engineering Foundation with the objective of generating income for the Foundation's charitable object.

	2016 General fund (Charity)	2016 Designated income funds (Charity)	2016 Total funds (Charity)	2016 Restricted fund (Subsidiary)	2016 Total Portfolio (Group)	2015 Total Portfolio (Group)
Market value at 1 April	21,242,270	1,703,493	22,945,763	14,639,873	37,585,636	34,190,361
Add acquisitions at cost	3,939,371	-	3,939,371	4,814,709	8,754,080	5,214,801
Less: sales proceeds	(2,286,802)	-	(2,286,802)	(1,971,371)	(4,258,173)	(2,850,863)
Net investment (losses)/gains for the year	(563,163)	(7,334)	(570,497)	(551,615)	(1,122,112)	1,031,338
Market value at 31 March	22,331,676	1,696,159	24,027,835	16,931,596	40,959,431	37,585,637

All investments consist of securities listed on the London Stock Exchange of which fixed interest bonds amount to approximately £3.72 million in value.

Two stock holdings represented 5% or more of the general portfolio: Dechra pharmaceuticals £1,519,560 and Univer plc £1,110,090 as at 31st March 2016.

The restricted income funds consists of funds invested in a charity common investment fund to support the MacRobert and the Colin Campbell-Mitchell Awards.

	UK Equities £	UK Bonds £	2016 Total £	2015 Total £
Market value at 1 April	32,394,336	5,191,301	37,585,637	34,190,361
Market value at 31 March	37,236,913	3,722,518	40,959,431	37,585,637
Cost at 31 March 2014	27,107,355	3,648,556	30,755,911	25,806,203

Notes to the accounts

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Note 12 - Debtors				
Grants and sponsorship receivable	4,443,096	4,505,659	4,443,096	4,505,659
Prepayments	103,288	183,705	103,288	183,705
Gift Aid recoverable	-	5,651	-	5,651
Other debtors	1,795,292	3,175,854	573,850	2,582,553
Amounts due from subsidiary undertakings	-	-	471,873	468,251
	6,341,676	7,870,869	5,592,107	7,745,819
Note 13 - Stocks (Group and Charity)				
Publications, Academy ties, presentation plates and medals	2,703	3,199	2,703	3,199
Note 14a - Creditors (amounts falling due within one year)				
Committed grants and prizes	4,972,950	5,752,021	4,972,950	5,752,021
Deferred income	801,390	435,457	801,390	435,457
Subscriptions in advance	137,944	144,315	137,944	144,315
Other creditors	1,676,669	2,789,456	1,402,091	2,582,495
Amounts due to subsidiary undertakings	-	-	15,980	-
Social security and other costs	2,813	2,791	2,813	2,791
Bank loan	120,108	118,209	120,108	118,209
	7,711,874	9,242,249	7,453,276	9,035,288
Note 14b - Creditors (amounts falling beyond one year)				
Bank loan*				
- Due one to two years	122,042	120,108	122,042	120,108
- Due within two to five years	378,038	384,123	378,038	384,123
- Due after five years	476,317	587,121	476,317	587,121
	976,397	1,091,352	976,397	1,091,352
*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				
Total minimum commitments under operating leases				
Maturing between one and five years (equipment)	13,627	15,294	13,627	15,294
	13,627	15,294	13,627	15,294

Note 16 - Statement of changes in reserves

(a) Restricted funds

The Academy's restricted funds consist of the monies received under grants, corporate donations and contracts to support specific schemes as follows:

- **Department of Business, Innovation and Skills (BIS)** provides a government grant to fund programmes in the areas of engineering research and promoting the public understanding of engineering.
- **Gatsby Charitable Foundation** supports Sainsbury Management Fellowships.
- **RAEng/EPSRC Research Fellowships** are administered by the Academy and funded jointly by the Academy and the Engineering and Physical Sciences Research Council.
- **Leverhulme Trust** supports senior research fellowships of one-year duration.
- **ExxonMobil** provides funds for Engineering Teaching Fellowships, which support able young university engineering lecturers.
- **Engineering Leadership Scheme** assists undergraduate engineering students to realise their full potential and achieve their career goals.
- **Connecting STEM Teachers programme** is building a national network of support for STEM leaders in secondary schools and is supported by BG Group and Petrofac.
- **Petrofac Fellowships** support master's-level education of engineers wishing to pursue a technically specialist role in the oil and gas industry.
- **MOD Fellowships** are administered by the Academy as a joint scheme but fully funded by the Ministry of Defence through the Defence Science and Technology Laboratory.
- **Further Education Fund** is made up of various donations that are used to support the development of new and the extension of existing programmes in further education.
- **Higher Education Funding Council for England** funds the **National Higher Education STEM Programme**, the engineering component of which is led by the Academy as well as Engineering Gateways and UTC Programmes. All three programmes were centred around higher education STEM education activities.
- **Engineering Further Education Programme** develops and disseminates engineering subject-specific professional courses to support further education lecturers and is supported by BP, Shell and other donors.
- **Technician Secondment Scheme** supports technicians to gain experience for Engineering Technician Registration that they do not get in their current company.
- **Education for Engineering** provides information and advice for government on education and skills policy.
- **MSc Aerospace Bursary Programme** for students studying for MSc degrees in aerospace engineering is funded by BIS and delivered in collaboration with the Royal Aeronautical Society.
- **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 for an individual or group of outstanding engineers.
- **Barrow Engineering Programme** is a regional programme to enhance and enrich STEM teaching and learning in a network of primary schools, secondary schools and further education colleges.
- **KS2 STEM Resources and CPD Programme** is funded by BAE Systems and supports the development and dissemination of contextualised resource boxes for use in primary and secondary schools.
- **Stoke Engineering Programme** is a regional programme to enhance and enrich STEM teaching and learning in a network of secondary schools and further education colleges.
- **The Enterprise Hub** harnesses the expertise, insight and networks of Academy Fellows, who include some of the UK's most successful entrepreneurs and business leaders, to support the country's most promising engineering entrepreneurs.
- **Africa Prize for Engineering Innovation** aims to stimulate, celebrate and reward innovation and entrepreneurship in sub-Saharan Africa.
- **External Education Fund** is made up of various donations that are used to support the development of new programmes and the extension of existing programmes.

Notes to the accounts

- **Newton Fund** schemes promote research and innovation intended to have a direct and long-term impact on the economic development and social welfare of countries participating with the UK in the Newton Fund.
- **Enterprise Fellowship Alumni** awards aim to celebrate the achievements in engineering entrepreneurship of previous Enterprise Fellows with a personal cash prize.
- **The Enterprise Hub capital project** funding will be used to create a base for the Academy's enterprise activities and contribute to the development of the lower ground floors of Prince Philip House.
- **Engineering Talent Project** is the working title of a major project designed to address the engineering skills gap over the next ten years. The project involves detailed analysis of the engineering skills landscape and the development of a strategy to ensure that the UK has the engineers and technicians.
- **The Made Here Now** project involves the development of a website that aims to stimulate the growth in UK manufacturing by communicating the breath of UK manufacturing.
- Other awards and contracts are donations and contracts by a number of companies for specific programmes each year.
- **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.

(b) Designated funds

- **The Building Maintenance Fund** is used for major items of building repair and redecoration.
- **The Building Development Fund** will be used to develop 3 Carlton House Terrace into a national forum of engineering excellence. These funds have been transferred to the Carlton House Terrace Fund.
- **The Education Support Fund** is a gift from the Gatsby Charitable Foundation to support education and engagement activities.
- Other designated funds represent general funds earmarked for specific activities such as awards and engagement activities.

	Balance at 1 April 2015 £	Incoming resources £	Resources expended £	Transfers between funds £	Net investment losses £	Balance at 31 March 2016 £
Restricted funds						
Government grant	-	12,399,875	(12,399,875)	-	-	-
Sainsbury Management Fellowships	-	300,000	(300,000)	-	-	-
RAEng/EPSRC Research Fellowships	-	211,009	(211,009)	-	-	-
Leverhulme Fellowships	30,157	328,633	(358,791)	-	-	-
ExxonMobil Fellowships	75,495	-	-	-	-	75,495
Engineering Leadership Scheme	295,462	68,645	(68,645)	-	-	295,462
Connecting Teachers	228,428	368,607	(388,607)	-	-	208,428
MOD Fellowships	-	52,738	(52,738)	-	-	-
Further Education Funds	345,514	-	-	-	-	345,514
Petrofac Fellowships	53,253	30,000	(83,253)	-	-	-
Engineering Further Education Programme	-	163,511	(163,511)	-	-	-
MSc Aerospace Programme	-	1,722,688	(1,722,688)	-	-	-
Barrow Engineering Programme	3,814	20,340	(20,340)	-	-	3,814
KS2 STEM and CPD Resources Programme	106,526	75,000	(115,500)	-	-	66,026
Enterprise Hub	245,529	102,448	(20,348)	-	-	327,629
Enterprise Fellowships Alumni Awards	70,000	-	(70,000)	-	-	-

	Balance at 1 April 2015	Incoming resources	Resources expended	Transfers between funds	Net investment losses	Balance at 31 March 2016
	£	£	£	£	£	£
Africa Prize for Engineering Innovation	74,331	313,666	(332,066)	-	-	55,931
Carlton House Terrace Fund	6,424,033	-	-	-	-	6,424,033
Ms Morag Campbell-Nelder	424,537	17,346	(6,903)	-	(1,778)	433,202
Newton Fund	-	3,822,872	(3,822,872)	-	-	-
Enterprise Hub capital project	2,400,000	1,186,900	-	-	-	3,586,900
Engineering Talent Project	92,203	375,000	(112,066)	-	-	355,137
Made Here Now	10,152	2,602	(13,088)	334	-	-
Industrial Secondment Scheme	-	65,347	(65,347)	-	-	-
Lowestoft Engineering Programme	-	6,400	(6,400)	-	-	-
Enriching Engineering Education Programme	-	30,667	(30,667)	-	-	-
Education Studies and Support	-	20,000	(20,000)	-	-	-
Sir Angus Paton Bequest Fund	64,648	-	(9,000)	-	-	55,648
Hinton Bequest Fund	15,658	-	(7,258)	-	-	8,400
MacRobert Award Fund	1,276,463	80,206	(103,440)	-	(5,556)	1,247,673
MacFarlane Award Fund	20,481	-	(2,443)	-	-	18,038
Other awards and contracts	44,458	13,750	(13,750)	-	-	44,458
Queen Elizabeth Prize for Engineering	18,323,638	4,486,818	(781,973)	(136,000)	(551,615)	21,340,868
Total restricted funds	30,624,780	26,265,068	(21,302,578)	(135,666)	(558,949)	34,892,655
Designated funds						
Special funds						
- Building Maintenance Fund	205,351	-	-	-	-	205,351
Total special funds	205,351	-	-	-	-	205,351
Education Support Designated Fund	39,917	-	(13,900)	-	-	26,017
Parliamentary Affairs Designated Fund	5,216	-	(5,216)	-	-	-
External Education Designated Fund	105,648	40,500	(41,026)	-	-	105,122
Ingenia Designated Fund	6,400	49,112	(49,112)	-	-	6,400
Forum Partnerships Programme Designated Fund	130,242	32,000	(195)	-	-	162,047
Total designated and special funds	492,774	121,612	(109,449)	-	-	504,937
General fund	22,803,356	2,861,467	(2,177,038)	135,666	(563,163)	23,067,622
Pension fund surplus	(31,977)	-	31,977	-	-	-
Total funds	53,888,934	29,248,147	(23,557,088)	-	(1,122,112)	58,465,214

The general fund surplus of £684,429 is the difference between incoming resources of £2,861,467 and resources expended of £2,177,038

All other funds, other than the Queen Elizabeth Prize for Engineering, are funds of the parent charity.

Notes to the accounts

Note 17 - Analysis of net assets between funds

	Tangible fixed assets	Investments	Current assets	Liabilities	Total net assets
	£	£	£	£	£
Restricted funds	7,668,450	16,931,596	10,420,332	(127,723)	34,892,655
Special and designated funds	-	1,696,159	504,937	(1,696,159)	504,937
General funds	4,507,834	22,331,676	3,092,501	(6,864,389)	23,067,622
Total funds	12,176,284	40,959,431	14,017,770	(8,688,271)	58,465,214

Note 18 - Capital commitments

As at 31 March 2016, the Academy had capital commitments of £5,947,879 (2014-15 £1,227,770) in respect of building works at Carlton House Terrace.

Note 19 - Subsidiary activities

The Academy has one wholly owned subsidiary, RAE Trading Limited (registered company number 08038360) and a charitable subsidiary company, the Queen Elizabeth Prize for Engineering Foundation (registered charity number 1147743, registered company number 8077332). RAE Trading Limited was formed in April 2012 and manages a conferencing business at Prince Philip House; all available trading profits are gift-aided to the charity. The Queen Elizabeth Prize for Engineering Foundation was formed in May 2012 and advances the education of the public in the subject of engineering by awarding biennially a high-profile and internationally recognised prize for engineering. All activities have been consolidated on a line-by-line basis in the statement of financial activities and these results have been adjusted to eliminate income and expenditure relating to conferencing activities to the Academy and the Queen Elizabeth Prize for Engineering, and management fees payable to the Academy.

At 31 March 2016	RAE Trading Ltd		Queen Elizabeth Prize for Engineering Foundation	
	2016 £	2015 £	2016 £	2015 £
Total incoming resources	1,517,260	1,535,793	4,486,818	5,693,116
Total resources expended	(1,098,015)	(1,067,718)	(917,973)	(1,956,288)
	419,245	468,075	3,568,845	3,736,828
Total investment (losses)/gains	-	-	(551,615)	1,255,716
Net funds before gift aid	419,245	468,075	3,017,230	4,992,544
Gift aid to Royal Academy of Engineering	(419,245)	(468,075)	-	-
Retained net funds for the year	-	-	3,017,230	4,992,544
The aggregate of the assets, liabilities and funds was:				
Assets	580,905	751,530	21,468,591	18,386,530
Liabilities	(580,805)	(751,430)	(127,723)	(62,892)
Funds	100	100	21,340,868	18,323,638

The parent charity's results for the year are disclosed as follows:

	Academy	
	2016 £	2015 £
Gross income	23,888,962	23,656,054
Retained net funds for the year	728,465	(397,751)

Note 20 - Related party transactions

The Academy has the following transactions within its subsidiaries during the year:

	Sales	Salary recharges	Management charges	Debtors	Creditors
	£	£	£	£	£
Queen Elizabeth Prize for Engineering Foundation	-	282,236	136,000	-	15,980
RAE Trading Limited	205,671	-	150,000	471,873	-

The Academy in the year made a payment of £192,541 into its defined benefit contribution pension fund.

All transactions in respect of trustees is provided for in Note 9.



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

Registered charity number 293074

Royal Academy of Engineering
Prince Philip House, 3 Carlton House Terrace, London SW1Y 5DG

Tel: 020 7766 0600
www.raeng.org.uk