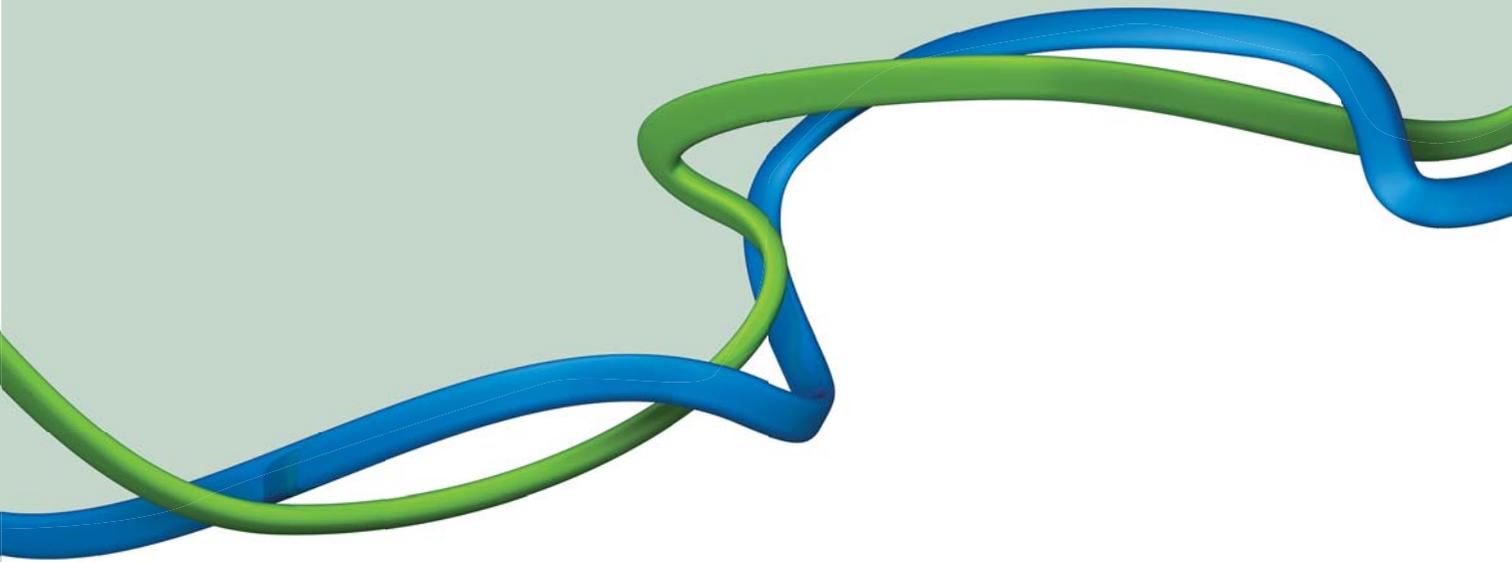




ROYAL  
ACADEMY OF  
**ENGINEERING**

## **FINANCIAL REPORT AND ACCOUNTS**

For the year ended 31 March 2013



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# Honorary Treasurer's statement



## RESULTS FOR THE YEAR

For the first time 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. Group income for the year was £25.0 million. Group expenditure on charitable activities was £14.6 million. The cost of generating funds across the group was £1.2 million. The carrying value of the group's net assets was £40.2 million.

## ROYAL ACADEMY OF ENGINEERING

Total income for the year was £13.9 million. The largest element, Grants from the Department for Business, Innovation and Skills (BIS), decreased by 33% to £7.9 million. Following a change in the grant-making process (see below) the Academy agreed with BIS to draw down a lower level of grant.

Income from contracts decreased by £617,000 to £3.9 million. EPSRC funding in support of Research Fellowships reduced by £560,000 and will cease by 2016. The Modern Technician Class programme, supported by £476,000 of BIS funding in the previous year, concluded before the start of the current year.

Expenditure on charitable activities was £13.3 million compared to £17.2 million in the previous year. The reduction of expenditure on charitable activities relates almost entirely to a revision of the Academy's grant-making process, where only one year's commitments are now recognised for multiyear grants as these commitments are subject to review on an annual basis. The charitable

expenditure is analysed into the four charitable activities which the Academy pursued during the year. An analysis based upon the principal objective of each activity shows that, of the total charitable expenditure of £13.3 million: 57% was spent on enhancing engineering capacity; 21% on promotion of and leadership in engineering; 12% on leading and shaping engineering policy and 10% on inspiring young people and nurturing education skills. Staff costs increased from the previous year by 1.6% to £3.2 million.

## THE QUEEN ELIZABETH PRIZE FOR ENGINEERING FOUNDATION

Total income for the year was £10.4 million. Expenditure on charitable activities was £1.3 million. The cost of the £1 million prize is accounted for in the year in which it is announced. The Foundation pays a management fee to the Academy for services for 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. Total revenue for the year from external customers was £361,000 and operating expenditure, including the cost of providing a service to the Academy, was £556,000. In the year the trading company paid a management fee of £35,000 to the Academy and made a donation of £10,000 to the Academy.

## GROUP ASSET VALUE

The carrying value of the group's net assets was £40.2 million. Investments were valued at £25.4 million, the Academy holding £19.7 million and the Foundation holding £5.8m million. Tangible fixed assets valued at £11.1 million included the £4.7 million value of the Carlton House Terrace lease and the £6.2 million of leasehold improvements to Prince Philip House. The main liability was a bank loan of £1.4 million which funded the Academy's property lease. The value of the group's

Restricted Funds increased over the year by £9.3 million mainly due to donations to the Foundation. The Academy's General Fund value grew by £3.9 million, the significant factors being an operating surplus of £213,000 and £3.6 million of net gain on the Academy's investments.

## INVESTMENTS

The value of the Academy's investment portfolio increased over the year by £4.1 million to £19.7 million. Net investment gains during the year totalled £3.6 million. 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 4% during the year to £678,000 while bank interest increased by 2% to £268,000. Group investment income increased by £145,000 to £1.1 million, of which £113,000 was income from the Foundation's investments which are managed separately from those of the Academy.

## FINANCE AND AUDIT COMMITTEE

The Committee met five times during the financial year including a meeting to review the audited accounts with the auditors. In addition to its regular financial work, the Committee conducts annual reviews of major areas of Academy activity from the standpoint of financial governance and management. During the year the Committee authorised a major internal audit of the Academy's grant management processes and controls and it expects that the recommendations made by the audit report will be implemented during the following financial year. Following a competitive bid process, the Committee reappointed PKF (UK) LLP as the Academy's auditors. Following a merger between PKF (UK) LLP and BDO LLP in March 2013, PKF (UK) LLP resigned and BDO LLP were appointed as the Academy's auditors.

Signed on behalf of the Finance and Audit Committee 10 June 2013.

**Mr I Ritchie CBE FEng FRSE,  
Honorary Treasurer**

# Report of Council

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## 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  
Farringdon Place  
20 Farringdon Road  
London EC1M 3AP

**Investment advisers**

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

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## Structure, governance and management

### COUNCIL MEMBERS

Council members are the trustees of the Academy as defined under its status as a registered charity. Council meets four times per year and is responsible for the governance of the Academy. At these meetings Council discusses issues of strategy and policy and also matters referred to it by the Standing Committees for Finance and Audit, Research and Secondment Schemes, Engineering Policy, Education and Training, International, Awards, External Affairs, Membership and Proactive Membership most of which also meet four times per year.

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

### OFFICERS

#### President

Sir John Parker GBE FREng

#### Immediate Past President (*ex officio*)

Lord Browne of Madingley FREng FRS

#### Senior Vice President

Professor Sir William Wakeham FREng

#### Vice Presidents

Prof H Atkinson FREng (from 16.7.12)

Mrs D Mitchell FREng

Prof B Cantor FREng

Prof Sir Christopher Snowden FREng FRS

Prof M Earwicker FREng (until 16.7.12)

Dr Martyn Thomas CBE (from 16.7.12)

Dr D Grant CBE FREng (until 16.7.12)

#### Honorary Treasurer

Mr I Ritchie CBE FREng FRSE (from 16.7.12)

Dr M Howse CBE FREng (until 16.7.12)

#### Honorary Secretary for International Activities

Professor Sir William Wakeham FREng

#### Honorary Secretary for Education and Training

Professor H Atkinson FREng (from 16.7.12)

Dr D Grant CBE FREng (until 16.7.12)

### ORDINARY COUNCIL MEMBERS

Prof G Amaratunga FREng

Dr M Lynch OBE FREng

Prof H Atkinson FREng (until 16.7.12)

Dr I Nussey OBE FREng

Dr S Bold FREng (from 16.7.12)

Prof R Parker FREng (until 16.7.12)

Mrs C Burke FREng (from 16.7.12)

Prof R Parry-Jones CBE FREng

Prof B Collins CB FREng (from 16.7.12)

Prof Sir David Payne CBE FREng FRS

Prof D Delpy FREng FMedSci  
FRS (until 16.7.12)

Mr I Ritchie CBE FREng FRSE (until 16.7.12)

Dr J Venables MBE FREng

Dr P Golby CBE FREng

Ms F Wainwright MBE FREng

Prof P Goodhew FREng

Mr P Westbury FREng (until 16.7.12)

Mr S Howison FREng (from 16.7.12)

Mr N Whitehead FREng

Prof J Loughhead OBE FREng (from 16.7.12)

### EX OFFICIO COUNCIL MEMBERS

#### Chairman, Membership Committee

Dr J Roberts CBE FREng

#### Chair, Proactive Membership Committee

Rear Admiral N Guild CB FREng

# Report of Council

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## **Elections to Council**

Council members are elected for a term of three years. Five ordinary members of Council are elected by a postal ballot of Fellows each year. The Council Nominations Committee meets annually to draw up a list of candidates to serve as Council Officers for the forthcoming year. This list is put to the Fellowship for approval at the Annual General Meeting. The President is elected for a term of up to five years and the other officers for terms of three years. The immediate Past President also serves on Council for up to five years. On election, new Council members are required to confirm that they are eligible to be trustees of a charity.

## **Induction and training of council members**

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

## **Internal control**

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

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

Detailed management accounts are prepared monthly within 10 working days of the month end. Full sets of accounts are submitted monthly to Finance and Audit Committee members and summarised accounts are submitted quarterly to Council.

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**MEMBERS OF FINANCE  
AND AUDIT COMMITTEE**

Mr I Ritchie CBE FREng FRSE (Chair and Honorary Treasurer from 16.7.12)  
Dr M Howse CBE FREng (Chair and Honorary Treasurer until 16.7.12)  
Professor H Atkinson FREng (until 16.7.12)      Professor D Payne CBE FREng FRS  
Dr S Bold FREng (from 16.7.12)                      Dr J Venables CBE FREng  
Professor P Goodhew FREng                              Mr N Whitehead FREng (from 16.7.12)

The Finance and Audit Committee normally comprises only current Council members.

**INVESTMENT POWERS**

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

**RISK ASSESSMENT**

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

Day to day management of the Academy is the responsibility of the Chief Executive assisted by the Directors' Committee which meets fortnightly. The directors are as follows:

**PRINCIPAL EXECUTIVES**

Chief Executive	Mr P Greenish CBE
Director, Finance and Corporate Services	Mr H Beeston ACIS
Director, Engineering and Education	Professor M Harrison
Director, Policy and External Affairs	Ms B Parkin
Director, Development	Ms S Philbrick
Director, Programmes and Fellowship	Dr H Sillem

# Report of Council

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## Objectives and activities for the public benefit

### Charitable activities

The Academy has focused its efforts on the achievement of four strategic objectives which are:

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

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

### Activities, achievements and performance

#### *"Promotion of, and leadership in, engineering"*

Main public benefits - to be a leadership body and to promote the value of engineering by (a) engaging the public in debate on engineering and its impact on society, (b) leading the profession, harnessing the strengths of the engineering institutions, and (c) recognising great engineering through prizes and awards.

- 43 events were held during the year
- The MacRobert Award for Engineering Innovation for 2012 was awarded to Jaguar Land Rover for the Range Rover Evoque;
- The 2012 Silver Medals were awarded to Suranga Chandratillake, Chris Hendy, Robert Salter and Professor Florin Udrea;
- The 2012 Sustained Achievement Medal was awarded to Professor Stephen Salter;
- The 2012 Sir George Macfarlane Award was awarded to Dr Alessandra Carriero;
- The 2012 Prince Philip Medal was awarded to Naeem Hussain;
- The 2012 Sir Frank Whittle Medal was awarded to Dan Chambers;
- The 2012 Major Projects Award was awarded to Sir John Armitt CBE FREng;

- The 2012 Rooke Medal for the public promotion of engineering was awarded to The Big Bang UK Young Scientists and Engineers Fair;
- The 2012 ERA Foundation Entrepreneurs Award was awarded to Dr Margaret Anne Craig;
- *Engineering the Future*, an alliance of the Academy with professional engineering organisations, has continued to create a unified voice for engineering on policy issues and will assist greatly the addressing of the great technological challenges of the 21st century;
- At the AGM on 16 July 2012, 52 new Fellows, three Honorary Fellows and four International Fellows were elected;
- Work on the £6.5million Forum for Engineering capital project was completed on schedule and to budget, in April 2012. In October, the building was formally opened as Prince Philip House by HRH The Duke of Edinburgh, the Academy's Senior Fellow;
- Sponsorship funding and in-kind support enabled the delivery of a number of significant events including the Global Grand Challenges summit and annual Academy Awards Dinner celebration;
- The Academy's Proactive Membership Committee (PMC) continued its work to support nominations for Fellowship from a variety of areas and sectors of the engineering industry not well-represented at the Academy, and to encourage more nominations for engineers from diverse backgrounds.
- In parallel to the work of the PMC, the Proactive International Fellowship Group (PIFG) continued to target for nomination, engineers from across the world, in countries of special strategic interest to the Academy.
- The econometric analysis undertaken by the Academy on the supply and demand for engineers and technicians has provided an evidence base for future work on strengthening the supply of engineering skills in the UK. The Academy's Diversity Programme provides it with the expertise required to widen as well as increase participation in engineering.
- *Ingenia* magazine circulation at 11,400 reached about 30,000 readers and its website averaged 33,000 visits per month;
- The Academy websites achieved an average monthly total of 190,000, an increase in traffic of 15% from previous year;
- *Ingenious* Programme - 24 Public Engagement Awards;
- Six public engagement events were held;
- The Academy partnered with the GREAT Campaign, the

Science Museum Group, Royal Society, British Science Association, BIS and EngineeringUK to launch a website celebrating British innovations over the last century, called the Great British Innovation Vote;

- The Academy has featured in 1,548 news articles in the past year, including 345 appearances in print publications, 38 radio programmes and 13 television interviews. This marks a 55% increase in press coverage from the last financial year. The Academy's call for an industrial strategy secured 526 news stories in the national media, approximately a third of the total number.
- The Academy's Proactive Membership Committee (PMC) continued its work to support nominations for Fellowship from a variety of areas and sectors of the engineering industry not well-represented at the Academy, and to encourage more nominations for engineers from diverse backgrounds.
- In parallel to the work of the PMC, the Proactive International Fellowship Group (PIFG) continued to target for nomination, engineers from across the world, in countries of special strategic interest to the Academy.

### ***“Leading and shaping engineering policy”***

Main public benefits - to enhance the UK's economic and social development by (a) providing essential engineering expertise and policy recommendations to government and the wider society, (b) providing a unified voice for engineering, and (c) leading the response to engineering challenges.

- *Key Engineering the Future* activities delivered during the financial year included:
  - An update to the Infrastructure Timelines report, referenced in HMT's National Infrastructure Plan 2012 Update;
  - Engineering for Growth: Meet the Innovators Parliamentary event in partnership with APPEG;
  - Presentation of oral evidence to the House of Commons Science and Technology Committee on the commercialisation of research and to the House of Commons Energy and Climate Change Committee on the feasibility of the Severn Barrage;
  - Nine evidence written submissions to government consultations and Select Committees;
  - Working in partnership with key government departments, including DECC, DfT and GO-Science to provide expert engineering advice and evidence.
- The Academy provided written responses and advice to Parliamentary, Government and other national bodies on a range of engineering topics.
- Academy reports include:
  - *Extreme space weather*;
  - *Shale gas extraction in the UK: a review of hydraulic fracturing*;
  - Human enhancement - jointly with the National Academies;
  - *Offshore decommissioning*.
- Academy responses include:
  - MHRA Legislation on medical devices;
  - Energy Bill for the Bill Scrutiny Committee;
  - Research Council's Triennial Review;
  - Independent Armitage Review of Infrastructure;
  - TSB Triennial Review;
  - Response to Lord Heseltine's review of Growth;
  - Building New Nuclear for the Energy and Climate Change Committee.
- Policy events and meetings were held on:
  - Greening the UK economy;
  - Innovation in business processes;
  - Innovation in automotive;
  - Supporting the aging population;
  - Greening UK energy;
  - Young researchers' futures conference on neural engineering;
  - UK procurement practice;
  - Smart buildings roundtable;
  - The efficacy of clinical trials for engineered medical devices and technologies;
  - Engineers in a sustainable world - with AFBE-UK.
- Engineering Leadership Advanced Awards: 40 awards were made;
- Engineering Leadership Standard Awards: more than 1,000 students participated;
- Executive Engineers Programme: 55 graduate engineers participated;
- Sainsbury Management Fellowships in Engineering: 11 awards were made;
- Petrofac/Royal Academy of Engineering Fellowships for the Enhanced Graduate Engineer: four awards were made;

# Report of Council

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- Panasonic Trust Awards and Fellowships for Masters' courses in modern engineering disciplines: 49 awards were made;
- Sir Angus Paton Bursary: one award was made;
- Sir Robert Malpas Bursaries: two awards were made;
- Hertha Marks Ayrton Fellowship: one awarded;
- ExxonMobil Excellence in Engineering Teaching Awards: ten awards were made.

## ***"Enhancing engineering capacity"***

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

- The Academy continued to work with a number of related bodies including:
  - AFBE-UK - inspiring people of BME origin in engineering;
  - Academy of Medical Sciences;
  - The Africa-UK Engineering for Development Partnership;
  - British Academy;
  - Campaign for Science and Engineering (CaSE);
  - Chinese Academy of Engineering;
  - Chinese Academy of Sciences;
  - The Daphne Jackson Trust;
  - Engineering Council (Technicians Council);
  - Engineering Professors Council;
  - EngineeringUK;
  - Engineers Against Poverty;
  - European Council of Academies of Applied Sciences, Technologies and Engineering (Euro-CASE);
  - Exxon Mobil;
  - Gatsby Charitable Foundation;
  - Institute of Physics;
  - Institution of Engineering and Shipbuilding in Scotland;
  - International Council of Academies of Engineering and Technological Sciences (CAETS);
  - MEI;
  - National Nuclear Laboratory;
  - National Science Learning Centres;
  - Ove Arup;
  - Panasonic;
  - Petrofac;
  - Royal Society;
  - Royal Society of Edinburgh;
  - Science Council;
  - Sense About Science;
  - Shell;
  - STEMNET;
  - 38 engineering institutions and professional bodies that we work with in the Engineering the Future (ETF) and Engineering for Education E4E alliances;
  - UKRC-Wise;
  - US National Academy of Engineering.
- Achievements in programmes funded by Parliamentary Grant were as follows:
  - Personal Research Chairs and Senior Research Fellowships: 46 in post during the year and three appointments pending;
  - Research Chair in Emerging Technologies: two in post;
  - Global research Awards: nine in post during the year;
  - Research Fellowships: 62 in post;
  - Industrial Secondment Scheme: 12 awards;
  - Visiting Professorships in Principles of Engineering Design: Posts at 35 universities;
  - Visiting Professorships in Engineering Design for Sustainable Development - Posts at 11 universities;
  - Visiting Professorships in Integrated System Design: Posts at 22 universities;
  - Visiting Professorships in Design and Innovation: Posts at 31 universities;
  - Visiting Professorships in Building Engineering Physics: Posts at six universities;
  - Visiting Teaching Fellowships - Posts at 25 universities;
  - Engineering Professional Development Awards: awards were made to 34 companies, with 661 engineers participating in the scheme;
  - Distinguished Visiting Fellowships: 29 awards;
  - Research Exchanges with China and India: 11 awards;
  - Engineering Enterprise Fellowships: five awarded.
- Achievements in other programmes were as follows:
  - Leverhulme Trust Senior Research fellowships: seven appointed to post;

- Shell/Royal Academy of Engineering Visiting Teaching Fellows: two in post;
- Ove Arup Foundation Visiting Teaching Fellows: 14 in post.

***“Inspiring young people and nurturing educational skills”***

Main public benefits – to meet the needs of the UK economy and society by (a) encouraging young people to study engineering, (b) promoting diversity and enabling underrepresented groups to take up a career in engineering, and (c) enhancing teaching and learning.

- The Academy hosts Education for Engineering (E4E), the mechanism to provide policymakers with a single voice on all matters relating to the formation of future engineers and technicians. E4E was similarly asked to provide, with the Design and Technology Association, expert advice on the new D&T curriculum for schools.
- The Academy supported The Big Bang 2013, the largest celebration of science, technology, engineering and maths for young people in the UK. The Big Bang was held in London’s ExCeL centre and attracted over 65,000 visitors.
- During the year, the Academy was asked by government to oversee the redevelopment of the 14-19 Diploma in Engineering into a suite of smaller qualifications and, alongside the BCS, oversee the writing of a new computing curriculum for schools.
- The Academy, alongside EngineeringUK, leads the Tomorrow’s Engineers programme which introduces more than 30,000 young people to engineering through the work of Primary Engineers, Young Engineers, the Smallpeice Trust, the Engineering Development Trust and other high quality providers of engineering outreach.
- The Academy’s Connecting Teachers, Engineering Engagement and Engineering Further Education projects have worked with hundreds of teachers to strengthen the quality of engineering education in schools and colleges. More than 350 engineering undergraduates have gone through programmes of personal and leadership development.
- Major grants towards Academy programmes were received from Petrofac, BAE Systems, the Anglo American Group Foundation and the Welsh Assembly Government. The Academy will also manage multi-year funding provided by Government and industry for investment in UK aerospace sector skills. The Elite Engineering Programme – a multi-tiered initiative to improve and support engineering education through the medium of motorsport and other

areas of advanced engineering – was launched in January 2013, with the support of the Helsington Foundation.

- The econometric analysis undertaken by the Academy on the supply and demand for engineers and technicians has provided an evidence base for future work on strengthening the supply of engineering skills in the UK. The Academy’s Diversity Programme provides it with the expertise required to widen as well as increase participation in engineering.

# Report of Council

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## Financial review

### Review of transactions for the year

The financial statements are presented in the format required by the Charity Commission's revised Statement of Recommended Practice (SORP 2005). The Statement of Financial Activities shows the gross income from all sources and the split of activity between restricted and unrestricted funds. Total group incoming resources for the year were £25.0 million, an increase of £4.1 million over the previous year.

#### GOVERNMENT GRANT

The Academy is grateful to the Department for Business, Innovation and Skills for providing Government Grant to support activities aimed primarily at promoting engineering research in the UK. Government Grant at £7.9 million was the largest contribution to funds and represented 32% of total incoming resources.

#### ENGINEERING EDUCATION PROGRAMMES

The Academy's Engineering Education Programmes aim to improve engineering education from school through to postgraduate and professional development. BG Group made donations totalling £253,500 during the year to develop a network of support for STEM teachers in secondary school. HEFCE provided £172,000 to support engineering in higher education through the National HE STEM Programme. BP provided £171,800 in support of the Engineering Further Education programme.

#### OTHER GRANTS AND CONTRACTS

Income from other grants and contracts totalled £3.9 million of which the Engineering and Physical Sciences Research Council provided £1.1 million for the Research Fellowship programme.

#### DONATIONS

During the year donations totalled £10.8 million, of which £10.3 million was to Queen Elizabeth Prize for Engineering Foundation. Donations to the Carlton House Terrace Building Development Fund totalled £396,000.

#### OTHER INCOME

Other major sources of income during the year were: subscriptions, events and facilities hire income at a total of £1.3 million (5% of total incoming resources).

#### CHARITABLE ACTIVITIES

Group expenditure on charitable activities was £14.6 million during the year or 92% of total resources expended. Of this total, £9.9 million represented charitable activities and grants paid under various programmes and £4.7 million represented the costs of operating those programmes.

#### COST OF GENERATING FUNDS

The cost of generating funds consists of fees paid to investment managers, RAE Trading operating expenditure and the staff costs and expenses associated with fundraising. These costs totalled £1.2 million or 8% of total 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.

#### GOVERNANCE COSTS

Governance costs comprising audit fees, legal fees and associated support costs amounted to £28,000 or 0.2% of total resources expended.

#### INVESTMENTS

The investments are held in a General Fund Portfolio for the Academy and a Restricted Fund Portfolio for the Queen Elizabeth Prize for Engineering Foundation. The General Fund Portfolio has the objective of generating income to spend on activities in support of the Academy's strategic objectives whilst preserving the capital value of the fund in real terms. The structure of the portfolio is currently 94% UK equities and 6% fixed interest bonds; this allocation is reviewed regularly. During the year the General Fund generated £946,000 of income and there were realised gains of £263,000 and unrealised gains of £3.3 million. Over the year as a whole the General Fund performed in line with its benchmark target.

#### FIXED ASSETS

Capital expenditure during the year amounted to £1.6 million. Of this £43,000 was spent on IT, £81,000 on other equipment and furniture and £1.5 million on leasehold improvements.

## Reserves policy

The Finance and Audit Committee has considered the level of reserves as part of the twice yearly risk assessment review procedure. The Committee has concluded that the required level of reserves is such as would enable the Academy to continue as a going concern in the event of a major reduction in income from existing sources. The Committee also took into account the level of funding required in the final salary pension fund. Council, taking into account the recommendation of the Committee, has agreed the following reserves policy:

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

The reserves policy will continue to be monitored and reviewed by Finance and Audit Committee who would forward recommendations to Council for their consideration should any amendments be required to the policy. The free reserves of The Academy are made up as follows:

<b>Year ended 31 March</b>	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Total funds per Balance Sheet	40,232	27,050
Deduct:		
Restricted funds	16,129	6,879
Unrestricted funds tied up in tangible fixed assets	4,886	5,038
Designated funds	1,964	2,042
Pension fund surplus	668	510
<b>Free reserves</b>	<b>16,585</b>	<b>12,581</b>

The specific uses and needs of the Restricted and Designated Funds are detailed separately in the notes to the accounts referred to above. The Academy's reserves are available and adequate to fulfil the current obligations of the Academy.

# Report of Council

## Recipients of Academy grants

The Academy made over 2,000 grants and awards to organisations and individuals in 2012/13 totalling £12.5 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	University of Cambridge	759,560	30,000	-	789,560
2	Imperial College London	605,909	25,500	-	631,409
3	University of Edinburgh	604,818	7,500	-	612,318
4	University of Oxford	585,398	-	-	585,398
5	University of Southampton	510,165	40,300	-	550,465
6	The Royal Society	504,816	-	-	504,816
7	University of London	438,752	42,500	-	481,252
8	Queen Mary and Westfield College	462,157	18,000	-	480,157
9	University of Glasgow	402,256	-	-	402,256
10	The Queens University of Belfast	364,471	7,500	-	371,971
11	University of Warwick	313,895	12,685	-	326,580
12	University of Nottingham	232,116	26,000	33,465	291,582
13	University of York	271,317	10,000	1,177	282,495
14	University of Manchester	254,856	-	24,520	279,376
15	Loughborough University	123,099	115,619	20,143	258,861
16	HTI Leadership Centre	-	209,500	-	209,500
17	University of Bath	143,405	12,000	-	155,405
18	University of Sheffield	142,478	6,600	-	149,078
19	Lancaster University	144,048	-	-	144,048
20	University of Surrey	130,971	2,875	-	133,847
21	University of Bristol	121,796	12,000	-	133,796
22	University of Dundee	125,608	-	-	125,608
23	Engineering UK	-	125,000	-	125,000
24	University of Strathclyde	109,171	-	15,075	124,246
25	Cardiff University	113,453	-	-	113,453
26	University of Leeds	104,999	1,000	1,945	107,945
27	The Daphne Jackson Trust	103,568	-	-	103,568
28	Heriot Watt University	81,778	-	20,091	101,869
29	Coventry University	16,864	75,990	-	92,854
30	University of Liverpool	26,937	57,929	-	84,866
31	Cranfield University	57,320	14,500	770	72,590
32	Swansea University	64,240	-	-	64,240
33	Middlesex University	44,000	-	-	44,000
34	Royal Aeronautical Society	-	42,000	-	42,000
35	University of Kent	21,992	20,000	-	41,992
36	University of Newcastle	29,316	9,199	-	38,515

Amount in £	Visiting Professors and other programmes			Industrial Secondments	Total
	Research				
37 Queen University Belfast Foundation	13,736	-	23,395	37,131	
38 University of Birmingham	35,418	994	-	36,412	
39 University of Exeter	8,705	-	24,150	32,855	
40 University of Plymouth	11,072	19,999	-	31,072	
41 University of Northumbria	-	30,773	-	30,773	
42 University of Ulster	28,476	-	-	28,476	
43 Northern Architecture	27,000	-	-	27,000	
44 Maths Busking	27,000	-	-	27,000	
45 The Great Debate	26,997	-	-	26,997	
46 Action for Involvement	26,973	-	-	26,973	
47 University of Central Lancashire	26,910	-	-	26,910	
48 Sing London Ltd	26,775	-	-	26,775	
49 Teen Tech CIC	26,640	-	-	26,640	
50 Engineers Without Borders UK	-	25,000	-	25,000	
<b>Total</b>	<b>8,301,249</b>	<b>1,000,964</b>	<b>164,733</b>	<b>9,466,946</b>	

Notes:

1. Research comprises Personal Research Chairs, Senior Research Fellowships, Research Fellowships, Distinguished Visiting Fellowships, Public Engagement Awards, Newton International Fellowships, Research Exchanges 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.

We shall bring business and researchers together to foster the conditions that this process needs.

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

## Plans for future periods

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

### ***“Drive faster and more balanced economic growth”***

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

Our research investment in UK universities will focus on multidisciplinary areas that address specific problems and lead to wealth creation in the shorter term.

### ***“Foster better education and skills”***

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

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

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

# Report of Council

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## *“Lead the profession”*

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

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

## *“Promote engineering at the heart of society”*

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

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

## *“Build organisational capacity”*

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

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

## Statement of Council's responsibilities

The Council, as charity trustees, are responsible for preparing the Report of Council 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 judgments 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 Council on 10 June 2013.

**Sir John Parker GBE FREng, President**  
**Mr I Ritchie CBE FREng FRSE, Honorary Treasurer**

# Auditor's report

## Independent auditor's report to the Council of the Royal Academy of Engineering

We have audited the financial statements of the Royal Academy of Engineering for the year ended 31 March 2013 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 Council'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 Auditing Practices Board'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](http://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 2013, 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 Department of 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 grant.

### 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 Council is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the parent charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

**BDO LLP**  
**Statutory Auditor**  
**London**  
**United Kingdom**  
**Date: 10 June 2013**

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 2013	Notes	Unrestricted funds £	Restricted funds £	Total 31 March 2013 £	Total 31 March 2012 £
<b>Incoming Resources</b>					
<b>Incoming Resources from Charitable Activities</b>					
Grants	2	-	7,935,379	7,935,379	11,898,796
Contracts	4	-	3,871,532	3,871,532	4,488,597
<b>Incoming Resources from Generated Funds</b>					
Gifts, Donations and Legacies	5	68,744	10,730,349	10,799,093	2,906,640
<b>Activities for Generating Funds</b>					
Investment Income	6	946,105	112,634	1,058,739	913,229
Other Income	6a	1,342,958	-	1,342,958	684,418
<b>Total Incoming Resources</b>		<b>2,357,807</b>	<b>22,649,894</b>	<b>25,007,701</b>	<b>20,891,680</b>
<b>Resources Expended</b>					
<b>Costs of Generating Funds</b>					
Fundraising Costs		211,800	321,207	533,007	197,647
Investment Management Fees		98,002	23,450	121,452	77,246
RAE Trading		519,131	-	519,131	-
		828,933	344,657	1,173,590	274,893
<b>Charitable Activities</b>					
Promotion of, and Leadership in, Engineering	7	1,293,145	1,532,440	2,825,585	3,180,109
Leading and Shaping Engineering Policy	7	-	1,629,166	1,629,166	1,759,700
Enhancing Engineering Capacity	7	-	7,470,209	7,470,209	9,681,457
Inspiring Young People and Nurturing Education Skills	7	-	1,342,054	1,342,054	2,531,259
Queen Elizabeth Prize for Engineering		-	1,347,664	1,347,664	-
		1,293,145	13,321,533	14,614,678	17,152,525
<b>Governance Costs</b>	8	22,809	4,960	27,769	65,199
<b>Total Resources Expended</b>		<b>2,144,887</b>	<b>13,671,150</b>	<b>15,816,037</b>	<b>17,492,617</b>
<b>Net Incoming Resources</b>		<b>212,920</b>	<b>8,978,744</b>	<b>9,191,664</b>	<b>3,399,063</b>
<b>Transfers between Funds</b>		93,515	(93,515)	-	-
<b>Net Incoming Resources before other Recognised Gains and Losses</b>		<b>306,435</b>	<b>8,885,229</b>	<b>9,191,664</b>	<b>3,399,063</b>
<b>Other Recognised Gains and Losses</b>					
Net gains on investment assets	11	3,594,846	365,058	3,959,904	239,901
Actuarial Gain/(Losses) on Defined Benefit Pension Scheme	9b	31,000	-	31,000	(161,000)
<b>Net Movement in Funds</b>		<b>3,932,281</b>	<b>9,250,287</b>	<b>13,182,568</b>	<b>3,477,964</b>
Fund Balances Brought Forward 1 April		20,170,705	6,879,208	27,049,913	23,571,949
<b>Fund Balances Carried Forward 31 March</b>	16,17	<b>24,102,986</b>	<b>16,129,495</b>	<b>40,232,481</b>	<b>27,049,913</b>

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 2013	Notes	Group		Charity	
		2013	2012	2013	2012
		£	£	£	£
<b>Tangible Fixed Assets</b>	10	11,117,563	9,845,307	11,117,563	9,845,307
<b>Investments</b>	11	25,416,906	15,564,964	19,661,743	15,564,964
<b>Current Assets</b>					
Debtors	12	3,194,115	4,602,755	2,624,917	4,602,755
Stock	13	15,410	12,462	15,410	12,462
Cash at Bank		2,830,677	1,389,629	1,605,333	1,389,629
Short Term Deposits		10,826,178	15,541,460	8,125,910	15,541,460
		<b>16,866,380</b>	<b>21,546,306</b>	<b>12,371,570</b>	<b>21,546,306</b>
<b>Current Liabilities</b>					
Creditors (amounts falling due within one year)	14a	(12,501,249)	(18,968,638)	(11,228,683)	(18,968,638)
<b>Net Current Assets</b>		<b>4,365,131</b>	<b>2,577,668</b>	<b>1,142,887</b>	<b>2,577,668</b>
Creditors (amounts falling due beyond one year)	14b	(1,335,119)	(1,448,026)	(1,335,119)	(1,448,026)
Defined Benefit Pension Scheme Asset	9b	668,000	510,000	668,000	510,000
<b>Net Assets</b>		<b>40,232,481</b>	<b>27,049,913</b>	<b>31,255,074</b>	<b>27,049,913</b>
<b>Charitable Funds:</b>					
<b>Restricted Funds</b>	16	16,129,495	6,879,208	7,152,088	6,879,208
<b>Unrestricted Funds</b>					
Special Funds	16	317,681	324,781	317,681	324,781
Designated Fund	16	1,646,594	1,717,931	1,646,594	1,717,931
General Fund	16	21,470,711	17,617,993	21,470,711	17,617,993
Pension Fund Surplus	16	668,000	510,000	668,000	510,000
<b>Total Charitable Funds</b>		<b>40,232,481</b>	<b>27,049,913</b>	<b>31,255,074</b>	<b>27,049,913</b>

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

Signed on behalf of the Council on 10 June 2013

**Sir John Parker GBE FREng, President**

**Mr Ian Ritchie CBE FREng FRSE, Honorary Treasurer**

# Consolidated Cash Flow Statement

Year Ended 31 March 2013

	2013 £	2012 £
<b>Reconciliation of Changes in Resources to Net Cash Inflow from Operations</b>		
Net Incoming Resources (as reported)	9,191,664	3,399,063
Less: FRS17 Operating Pension Adjustment	6,000	(18,000)
Less: Payment to Pension Fund	(133,000)	(173,000)
Less Income from Interest and Dividends	(1,058,739)	(913,229)
Depreciation	322,446	153,942
(Increase)/Decrease in Debtors	1,408,640	(2,694,392)
Increase/(Decrease) in Short Term Creditors	(6,467,389)	2,265,144
Increase in stock	(2,948)	(1,288)
<b>Net Cash Inflow from Operating Activities</b>	<b>3,266,674</b>	<b>2,018,240</b>

## Cash Flow Statement

Net Cash Inflow from Operating Activities	3,266,674	2,018,240
Returns on Investments (Note 1)	1,058,739	913,229
Capital Expenditure and Financial Investment (Note 1)	(7,486,740)	(4,019,697)
Decrease in Debts	(112,907)	(111,064)
<b>Decrease in Cash</b>	<b>(3,274,234)</b>	<b>(1,199,292)</b>

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

Decrease in Cash in the Year	(3,274,234)	(1,199,292)
Net Cash at 1 April	16,931,089	18,130,382
<b>Net Cash at 31 March</b>	<b>13,656,855</b>	<b>16,931,090</b>

## NOTES TO THE CASH FLOW STATEMENT

### Note 1 - GROSS CASH FLOWS

#### Returns on investments

Dividends Received and Income from Fixed Interest Bonds	779,478	651,728
Interest Received net of Interest Paid	279,261	261,501
	<b>1,058,739</b>	<b>913,229</b>

#### Capital Expenditure and Financial Investment

Purchase of Tangible Fixed Assets	(1,594,702)	(4,308,203)
Purchase of Investments	(8,009,027)	(1,450,597)
Proceeds from Sale of Investments	2,116,989	1,739,103
	<b>(7,486,740)</b>	<b>(4,019,697)</b>

### Note 2 - ANALYSIS OF CASH

Cash at Bank	2,830,677	1,389,629
Short Term Deposits	10,826,178	15,541,460
As at 31 March	<b>13,656,855</b>	<b>16,931,089</b>

### Note 3 - RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

Decrease in Cash	(3,274,234)	(1,199,292)
Cash Outflow from Decrease in Debt	112,907	111,064
Change in Net Cash Resulting from Cash Flows	<b>(3,161,327)</b>	<b>(1,088,228)</b>

# Notes to the accounts

## Note 4 - ANALYSIS OF NET CASH

	At 1 April 2012	Cashflow	Other non-cash changes	At 31 March 2013
Cash held	16,931,089	(3,274,234)	-	13,656,855
Debt due after one year	(1,448,026)	112,907	-	(1,335,119)
Debt due within one year	(110,428)	-	-	(110,428)
Total	15,372,635	(3,161,327)	-	12,211,308

### For the year ended 31 March 2013

#### Note 1 - Accounting policies

##### (a) Basis of preparation of the accounts

The annual report, incorporating the financial statements for the year ended 31 March 2013, has been prepared in accordance with the Academy's Royal Charter, and in compliance with the Charities Act 2011, the Statement of Recommended Practice 'Accounting and Reporting by Charities' (revised 2005) ('SORP'), and with applicable Accounting Standards.

##### (b) Historical cost convention

The financial statements have been prepared under the historical cost convention, as modified for the inclusion of investment assets at market value.

##### (c) 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, or income and expenditure account, for the Academy itself is not presented because the Academy

has taken advantage of the exemption afforded by paragraph 397 of SORP 2005.

##### (d) Incoming resources

The specific bases for accounting for income are described below. In general terms, income is accounted for on a receivable basis, gross of related expenditure. Income is only recognised where there is evidence of entitlement, where it is virtually certain that income will be received, and there is reasonable certainty of the amount.

- Grants receivable are recognised when entitlement to the grant is confirmed, and also include returned grants which are accounted for on receipt.
- Gifts, donations and legacies are included in full in the statement of financial activities when receivable.
- 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.

##### (e) Resources expended

Expenditure is recognised on an accruals basis, gross of any related income. Costs are allocated to activities as described below. Indirect costs are apportioned to activities on a basis consistent

with the use of the resources.

- Costs of generating funds comprise direct costs and expense of staff involved with fundraising, 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.
- Governance costs include those associated with the management of the Academy's assets and with constitutional and statutory requirements.

##### (f) Tangible fixed assets

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset over its expected useful life, as follows:

###### 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

##### (g) Investments

Listed investments are included in the financial statements at

# Notes to the accounts

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.

## (h) Pensions

The Academy's defined benefit scheme was closed to future accrual on 31 March 2007. Pension costs are assessed in accordance with the advice of an actuary based on the most recent actuarial valuation of the scheme and are accounted for on the basis of charging the cost of providing

pensions over the period during which the Academy benefits from the employees' services. There is also a defined contribution scheme for staff who joined after 1 January 2000. 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 funds in the year. The Academy has no liability under the scheme other than the payment of those contributions.

## (i) Funds

General Funds are those which are available for use at the Council's discretion in the furtherance

of the Academy's objects. Resignated Funds are unrestricted funds set aside for unrestricted purposes and which would otherwise form part of General Funds. Details of the nature and purpose of each designated fund are set out in note 16. Restricted Funds are funds that are subject to restrictions imposed by donors and are applied in accordance with these restrictions. Details of the nature and purpose of each restricted fund are set out in note 16.

## Year Ended 31 March 2012

	Notes	Unrestricted funds £	Restricted funds £	Totals 31 March 2013 £	Totals 31 March 2012 £
<b>Note 2 - Grants</b>					
Government Grant	3	-	7,935,379	7,935,379	11,898,796
<b>Note 3 - Government grant</b>					
Grant was expended on:					
External projects		-	5,333,612	5,333,612	9,118,693
Cost of managing external projects		-	2,601,767	2,601,767	2,780,103
		-	7,935,379	7,935,379	11,898,796
<b>Note 4 - Contracts</b>					
EPSRC		-	1,133,584	1,133,584	1,693,289
ERAF International Lecture		-	492	492	10,550
Sustainable Wealth		-	25,000	25,000	25,000
Leverhulme		-	310,063	310,063	250,023
Building Engineering Physics		-	-	-	25,000
Leading Diversity in Engineering		-	-	-	7,000
Africa-UK Engineering Development Partnership		-	22,751	22,751	100,859
ExxonMobile HESS		-	63,566	63,566	66,897
RSDF Elster		-	279,000	279,000	-
DCSF Support		-	17,974	17,974	10,000
Connecting Teachers (BG Group)		-	253,500	253,500	48,500
Petrofac Scholarships		-	200	200	104,653
Shell Engineering Leadership Scheme		-	92,758	92,758	-
MOD Fellowships		-	122,514	122,514	82,527
Engineering Engagement BAE		-	98,200	98,200	240,491

Year Ended 31 March 2012	Notes	Unrestricted funds £	Restricted funds £	Totals 31 March 2013 £	Totals 31 March 2012 £
Technology Enhancement Programme		-	192,111	192,111	178,028
National HE STEM Programme		-	172,093	172,093	641,737
Engineering FE BP		-	171,800	171,800	141,901
Visiting Teaching Fellows		-	30,000	30,000	43,000
Sainsbury Management Fellowships		-	347,400	347,400	277,936
Executive Engineers Programme		-	35,970	35,970	36,618
Modern Technician Class		-	-	-	476,023
Nuffield Post Graduate Bursary		-	17,200	17,200	-
Elite Engineering Programme		-	88,800	88,800	-
Engineering Gateways		-	15,500	15,500	-
UTC		-	65,000	65,000	-
Engineering in a Box		-	34,100	34,100	-
MSc Aerospace programme		-	94,000	94,000	-
External education		-	119,248	119,248	-
Other contracts		-	68,708	68,708	28,565
		-	3,871,532	3,871,532	4,488,597
<b>Note 5 - Gifts and donations</b>					
Development appeal		-	396,352	396,352	2,876,640
Annual appeal		48,744	-	48,744	-
Queen Elizabeth Prize for Engineering Foundation		-	10,324,997	10,324,997	-
Legacies		20,000	-	20,000	30,000
Other		-	9,000	9,000	-
		68,744	10,730,349	10,799,093	2,906,640
<b>Note 6 - Investment income</b>					
Dividends and income from equity investments and Fixed interest bonds		678,157	101,321	779,478	651,728
Interest on bank deposits		267,948	11,313	279,261	261,501
		946,105	112,634	1,058,739	913,229
<b>Note 6a - Other income</b>					
Conferences and events		719,723	-	719,723	246,520
Subscription income		281,467	-	281,467	228,242
Advertising income and merchandising		50,835	-	50,835	124,276
Facilities income		290,933	-	290,933	85,380
		1,342,958	-	1,342,958	684,418

# 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	Total 31 March 2013	Total 31 March 2012
	£	£	£	£	£	£	£
<b>Note 7 - Charitable activities</b>							
<b>Unrestricted</b>							
Charitable Activities	614,602	-	-	-	-	614,602	452,816
Charitable Grants	-	-	-	-	-	-	7,000
Direct Salaries	293,400	-	-	-	-	293,400	150,651
Support Costs	385,143	-	-	-	-	385,143	197,758
	1,293,145	-	-	-	-	1,293,145	808,225
<b>Restricted</b>							
Charitable Activities	261,887	157,920	255,931	160,111	1,099,882	1,935,731	1,270,648
Charitable Grants	473,600	229,100	5,899,976	581,800	-	7,184,476	11,463,000
Direct Salaries	344,600	537,100	568,300	259,500	176,708	1,886,208	1,561,234
Support Costs	452,353	705,046	746,002	340,643	71,074	2,315,118	2,049,418
	1,532,440	1,629,166	7,470,209	1,342,054	1,347,664	13,321,533	16,344,300
<b>Total charitable activities</b>	<b>2,825,585</b>	<b>1,629,166</b>	<b>7,470,209</b>	<b>1,342,054</b>	<b>1,347,664</b>	<b>14,614,678</b>	<b>17,152,525</b>

Total support costs of £2,629,187 are made up of indirect staff costs totalling £1,234,912 and accommodation costs and overheads totalling £1,349,532.

	2013 £	2012 £
<b>Note 8 - Governance costs</b>		
Auditor's fees:		
- Audit	25,939	24,453
- Other services	1,500	10,000
Legal and professional fees	330	30,746
	27,769	65,199

#### **Note 9 - Staff and pensions costs**

(a) Staff costs analysis		
Gross salaries	2,419,180	2,376,173
Employers National Insurance	307,107	278,327
Benefits in kind	18,455	21,200
Pension charge	256,062	241,874
Other staff costs (including recruitment, temporary staff)	237,008	269,200
	3,237,812	3,186,774

Average number of staff in the year by activity:	Number	Number
- Engineering and education	9	17
- Programmes and fellowship	18	16
- Policy and external affairs	17	12
- Executive, development, finance and administration	15	13
- Queen Elizabeth Prize for Engineering	3	0
	62	58

No remuneration is paid to the President or members of the Council of the Academy. Travelling expenses to attend Council meetings were reimbursed to nine Council members in 2012/13 amounting to £11,146 (2011/12 £2,951 - seven members).

	2013	2012
The emoluments of higher paid staff within the following scales were:	Number	Number
£60,001 - £70,000	-	2
£70,001 - £80,000	3	-
£80,001 - £90,000	1	1
£90,001 - £110,000	3	2
£150,001 - £160,000	1	1

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

# Notes to the accounts

## Note 9(b) - Pensions

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

The most recent formal actuarial valuation was carried out as at 1 January 2012. The results have been updated to 31 March 2013 by a qualified independent actuary. The assumptions used were as follows:

	Year ended 31 March	
	2013	2012
<b>Final assumptions</b>	% p.a.	% p.a.
Discount rate	4.60	4.70
Retail prices index inflation	3.50	3.15
Consumer prices index inflation	2.50	N/A
Salary increases	4.00	3.65
Rate of increases of pensions in payment		
- pre 6 April 1997 pension	3.00	3.00
- 6 April 1997 to 30 November 1999 pension	3.60	3.40
- post 30 November 1999 pension	3.40	3.00
Rate of increase for deferred pensioners	2.50	3.15
Expected return on assets (as at year end)	3.90	4.11

The overall expected return on assets assumption of 3.90% as at 31 March 2013 has been derived by calculating the weighted average of the expected rate of return for each asset class. The following approach has been used to determine the expected rate of return for each asset class:

- fixed interest securities, current market yields;
- equities, net dividend yield plus RPI inflation plus an allowance for future real dividend growth
- cash, 0.5% pa below expected return on gilts.

	Year ended 31 March			
	2013		2012	
Demographic assumptions	% p.a.		% p.a.	
Mortality (pre-retirement)	S1PA CMI_2011_M/F [1.00%]		Nil	
Mortality (post-retirement)	S1PA CMI_2011_M/F [1.00%]		S1PAmc(yob), minimum underpin of 1% pa	
	Males	Females	Males	Females
Life expectancies	Years	Years	Years	Years
Life expectancy for an individual aged 65 in 2013	22.0	24.3	21.3	23.9
Life expectancy at age 65 for an individual aged 45 in 2013	23.3	25.9	23.2	25.8

## Assets

The assets of the scheme are invested in a diversified portfolio.

	Year ended 31 March					
	2013		2012		2011	
	Market value £000s	% of total scheme assets	Market value £000s	% of total scheme assets	Market value £000s	% of total scheme assets
Equities	1,355	24%	1,297	25%	1,522	31%
Bonds	825	15%	717	14%	642	13%
Gilts	3,298	58%	3,039	58%	2,588	52%
Cash	155	3%	160	3%	180	4%
Total	5,633		5,213		4,932	
The actual return on assets over the period was	555		536			

	Year ended 31 March	
	2013 £000s	2012 £000s
<b>Reconciliation to the balance sheet</b>		
Market value of assets	5,633	5,213
Present value of liabilities	4,965	4,703
Surplus in the scheme	668	510
Irrecoverable surplus	-	-
Pension asset recognised in the balance sheet before allowance for deferred tax	668	510
<b>Analysis of changes in the value of the scheme liabilities over the year</b>		
Value of liabilities at start of year	4,703	4,452
Service cost	-	-
Interest cost	215	229
Member contributions	-	-
Benefits paid	(268)	(428)
Actuarial losses	315	450
Value of liabilities at end of year	4,965	4,703
<b>Analysis of changes in the value of the scheme assets over the year</b>		
Market value of assets at start of year	5,213	4,932
Expected return on scheme assets	209	247
Actuarial gain	346	289
Employer contributions	133	173
Benefits paid	(268)	(428)
Market value of assets at end of year	5,633	5,213
<b>Amounts recognised in Statement of Financial Activities (SOFA)</b>		
Current service cost	-	-
Past service cost	-	-
Net (gain)/loss charged to SOFA	-	-
<b>Analysis of amount charged to other finance income</b>		
Interest on liabilities	(215)	(229)
Expected return on scheme assets	209	247
Net (charge)/credit to other finance income	(6)	18
Total SOFA charge before deduction for tax	6	(18)

# Notes to the accounts

	Year ended 31 March	
	2013 £000s	2012 £000s
<b>Amounts recognised in Statement of Financial Activities (SOFA)</b>		
Actuarial gains/(losses)	31	(161)
Limit on recognition of assets	-	-
Total amount recognised in SOFA	31	(161)

	Year ended 31 March				
	2013 £000s	2012 £000s	2011 £000s	2010 £000s	2009 £000s
History of assets, liabilities, experience gains and losses					
Market value of scheme assets	5,633	5,213	4,932	4,528	3,731
Value of scheme liabilities	4,965	4,703	4,452	4,386	3,507
Surplus in the scheme	668	510	480	142	224
Gains/(losses) arising on scheme liabilities:					
Due to experience	(190)	-	-	-	97
% of liabilities	(4)	-	-	-	3
Due to change of basis	(125)	(450)	(14)	(742)	187
% of liabilities	(3)	(10)	(0)	(17)	5
Experience gains/(losses):					
Arising on scheme assets	346	289	71	537	(346)
% of assets	6	6	1	12	(9)

The cumulative amount of actuarial gains and losses recognised in the SOFA (since 2005) is £138,000.

## Future funding obligation

The last actuarial valuation of the scheme was performed by the Actuary for the Trustees as at 1 January 2012. The Academy agreed payments to pay deficit contributions of £173,000 by 31 March 2012 and £133,000 by 31 March 2013 to pay off the deficit in the Scheme. As these contributions have been paid, no further contributions are expected to be paid by the Academy during the accounting year beginning 1 April 2013.

## Defined contribution scheme

The Academy operates a defined contribution scheme for its staff. The amount charged to the Income and Expenditure Account in respect of these pension costs is the contribution payable in the year.

	Computer equipment	Office fixtures and fittings	Leasehold	Carlton House Terrace improvement	Total
	£	£	£	£	£
<b>Note 10 - Tangible fixed assets (group and charity)</b>					
<b>Cost</b>					
At 1 April 2012	289,689	72,577	5,310,000	4,915,607	10,587,873
Additions	43,440	80,886	-	1,470,376	1,594,702
At 31 March 2013	333,129	153,463	5,310,000	6,385,983	12,182,575
<b>Depreciation</b>					
At 1 April 2012	181,768	42,487	518,311	-	742,566
Charge for year	31,505	18,743	117,360	154,838	322,446
At 31 March 2013	213,273	61,230	635,671	154,838	1,065,012
<b>Net book value</b>					
At 31 March 2013	119,856	92,233	4,674,329	6,231,145	11,117,563
At 31 March 2012	107,921	30,090	4,791,689	4,915,607	9,845,307

All assets are used for charitable purposes

#### Medal collections

- The Whittle Medals Collection is 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 Council considers that it is not practicable to obtain a valuation, but are satisfied that the financial value of the medals collections is not material.

# Notes to the accounts

## Note 11 - Investments

Investments held in the General Fund Portfolio represent those held by the Royal Academy of Academy with the objective of generating income for the Academy's charitable object whilst 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.

	<b>2013 General fund (Charity)</b>	<b>2013 Restricted fund (Subsidiary)</b>	<b>2013 Total portfolio (Group)</b>	<b>2012 Total portfolios (Group)</b>
Market value at 1 April	15,564,964	-	15,564,964	15,613,569
Add acquisitions at cost	2,004,544	6,004,483	8,009,027	1,450,597
Less: sales proceeds	(1,502,611)	(614,378)	(2,116,989)	(1,739,103)
Net investment gains for the year	3,594,846	365,058	3,959,904	239,901
Market value at 31 March	19,661,743	5,755,163	25,416,906	15,564,964

*All investments consist of securities listed on the London Stock Exchange of which fixed interest bonds amounts to approximately £1.27 million in value. Three stocks each represented more than 5% of the charity's portfolio, Dechra Pharmaceuticals £1,259,160, Rotork - £1,161,600, and Spectris - £1,105,200 as at 31st March 2013.*

*No individual investment represented more than 5% of the group's portfolio.*

*The Academy has agreed with the Pension Protection Fund a floating charge on the investment portfolio in favour of Trustees of the RAEng Pension and Assurance Scheme in respect of the deficit on the scheme.*

	<b>UK Equities £</b>	<b>UK Bonds £</b>	<b>2013 Total £</b>	<b>2012 Total £</b>
Market value at 1 April	14,346,865	1,218,099	15,564,964	15,613,569
Market value at 31 March	22,745,986	2,670,920	25,416,906	15,564,964
Cost at 31 March 2013	15,220,980	2,609,929	17,830,909	11,642,358

	Group		Charity	
	2013	2012	2013	2012
	£	£	£	£
<b>Note 12 - Debtors</b>				
Grants and sponsorship receivable	1,556,217	2,021,751	1,056,217	2,021,751
Prepayments	109,428	250,181	105,914	250,181
Gift Aid recoverable	12,003	313,723	12,003	313,723
Other debtors	1,516,467	2,017,100	1,305,968	2,017,100
Amounts due from subsidiary undertakings	-	-	144,815	-
	3,194,115	4,602,755	2,624,917	4,602,755
<b>Note 13 - Stocks (Group and Charity)</b>				
Publications, Academy ties, presentation plates and medals	15,410	12,462	15,410	12,462
<b>Note 14a - Creditors (amounts falling due within one year)</b>				
Payments in advance	-	10,193	-	10,193
Committed grants and prizes	7,234,187	12,495,128	6,234,187	12,495,128
Deferred income	2,635,202	3,145,653	2,519,114	3,145,653
Subscriptions in advance	163,516	165,507	163,516	165,507
Other creditors	2,354,958	3,009,606	2,198,480	3,009,606
Social Security and other costs	2,958	32,123	2,958	32,123
Bank loan	110,428	110,428	110,428	110,428
	12,501,249	18,968,638	11,228,683	18,968,638
<b>Note 14b - Creditors (amounts falling beyond one year)</b>				
Bank loan*				
- Due within two to five years	343,241	343,241	343,241	343,241
- Due after five years	991,878	1,104,785	991,878	1,104,785
Amount due at 31 March	1,335,119	1,448,026	1,335,119	1,448,026
* The Academy has an unsecured loan of £2 million with NatWest, repayable over 20 years, with an interest rate of 1.1% over the bank's base rate being applied.				
<b>Note 15 - Future commitments</b>				
<b>Annual commitments under operating leases</b>				
Maturing between one and five years (equipment)	34,307	26,680	34,307	26,680
	34,307	26,680	34,307	26,680

# Notes to the accounts

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## Note 16 - Movements in reserves

### (a) Restricted Funds

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

- **The Department of Business, Innovation and Skills (BIS)** provides Government Grant to fund programmes in the areas of engineering research and promoting the public understanding of engineering.
- **The 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.
- **The Africa-UK Engineering Development Partnership** (ICE, Engineers Against Poverty and the South African Academy of Engineering) aims to build engineering institution capacity in Sub-Saharan Africa.
- **ExxonMobil** provides funds for Engineering Teaching Fellowships which support able young university engineering lecturers.
- **The Department for Education** supports the Academy to provide it with expert strategic advice on engineering issues in relation to schools and the curriculum and to run workshops for STEM organisations on 'developing better STEM interventions'.
- **Engineering Leadership Scheme** assists undergraduate engineering students to realise their full potential and achieve their career goals.
- **Sustainable Wealth** to ensure the future leaders of UK businesses are aware of the potential of high tech wealth creating industries.
- **Connecting STEM Teachers** - supported by the BG Group, has created a national network of support for STEM teachers in secondary schools.
- **Visiting Teaching Fellows** supports industrial engineers working at the operational level to enrich the FE curriculum in technologies associated with the built environment.
- **MoD Fellowships** are administered by the Academy as a joint scheme but fully funded by the MoD through Dstl.
- **Engineering Engagement Project** is supported by **BAE Systems** involves engineering and technology activities with schools, teachers and pupils.
- **Technology Enhancement Programme** supports FE teachers and deliverers in engineering practice.
- **HEFCE** funds the **National HE STEM Programme**, the engineering component of which is led by the Academy as well **Engineering Gateways and UTC Programmes**. All three programmes were centred around HE STEM education activities.
- **Engineering Further Education** supported by BP, aims to help students to remain committed to a career in engineering through a mentoring programme and contextualised maths resources and supports FE lecturers through a suite of professional development courses.
- **Executive Engineers Programme** is a continuing professional development programme for recent engineering graduates wishing to advance their careers rapidly and achieve Chartered status.
- **Aerospace MSc Bursary Programme** for students studying for MSc degrees in aerospace engineering is funded by BIS and industry, delivered in collaboration with the Royal Aeronautical Society.
- **RSDF Elster** has provided support for a Chair in Industrial Ultrasonics, as well as PhD student and related laboratory expenses.
- **Nuffield Graduate Bursaries** are funded by the Nuffield Foundation and provide 1,000 students each year with the opportunity to work alongside professional engineers.
- **Elite Engineering Programme** a five step programme, supported by the Helsington Foundation and LEGO Education Europe, engage young people in high technology focused engineering through programmes in schools and HE scholarships.
- **Engineering in a Box** is an engineering enhancement and enrichment project based exclusively in Wales and funded by the Welsh Government.
- **Carlton House Terrace Fund** is 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.
- **External Education Fund** supports engineering education projects in school and is funded by charitable donations.
- **Queen Elizabeth Prize for Engineering** is funded by corporate donors and awards an international prize for engineering biennially.
- **Ad hoc contracts** are awarded by a number of companies for specific programmes each year.

(b) Designated Funds

Special Funds

- The **Sir Angus Paton Bequest Fund** is used to provide a bursary for a postgraduate student to undertake a full time MSc course in a subject related to Environmental Engineering.
- The **Hinton Bequest Fund** is used to contribute towards the cost of the annual Hinton Lecture.
- The **Lloyd's Register Foundation Fund** is used to establish an annual Royal Academy of Engineering prestige lecture.
- The **Building Maintenance Fund** is used for major items of building repair and redecoration. Building Development Fund will be used to develop 3 Carlton House Terrace into a national forum of engineering excellence.

**Building Development Fund** will be used to develop 3 Carlton House Terrace into a national forum of engineering excellence. These funds have been released to general funds.

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

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

**Other Designated Funds** represent general funds earmarked for specific activities such as awards and engagement activities.

	Balance at 1 April 2012 £	Incoming Resources £	Resources Expended £	Transfers between funds £	Net Gains £	Balance at 31 March 2013 £
<b>Restricted funds</b>						
Government Grant	-	7,935,379	(7,935,379)	-	-	-
Gatsby Charitable Foundation	-	347,400	(347,400)	-	-	-
RAEng/EPSRC Research Fellowships	-	1,133,584	(1,133,584)	-	-	-
Leverhulme SRFs	-	310,063	(310,063)	-	-	-
Africa-UK Engineering Development Partnership	-	22,751	(22,751)	-	-	-
DCSF Support	-	17,974	(17,974)	-	-	-
ExxonMobil Fellowships	75,495	63,566	(63,566)	-	-	75,495
Engineering Leadership Awards	16,926	-	-	-	-	16,926
Engineering Leadership Scheme	-	92,758	(92,758)	-	-	-
Sustainable Wealth	-	25,000	(25,000)	-	-	-
BG Group	-	253,000	(253,000)	-	-	-
Visiting Teaching Fellows	-	30,000	(30,000)	-	-	-
MOD Fellowships	-	122,514	(141,100)	18,586	-	-
Engineering Engagement Project BAE	-	98,200	(98,200)	-	-	-
Technology Enhancement Programme	-	192,111	(192,111)	-	-	-
National HE STEM Programme	-	172,093	(187,993)	15,900	-	-
Engineering FE (BP)	-	171,800	(171,800)	-	-	-
Executive Engineers Programme	-	35,971	(35,971)	-	-	-
RSDF Elster	-	279,000	(279,000)	-	-	-
Nuffield Post Graduate Bursary	-	17,200	(17,200)	-	-	-

# Notes to the accounts

	Balance at 1 April 2012	Incoming Resources	Resources Expended	Transfers between funds	Net Gains	Balance at 31 March 2013
	£	£	£	£	£	£
Elite Engineering Programme	-	88,800	(88,800)	-	-	-
External Education	-	119,248	(119,248)	-	-	-
Engineering Gateways	-	15,500	(15,500)	-	-	-
UTC	-	65,000	(65,000)	-	-	-
Engineering in a Box	-	34,100	(34,100)	-	-	-
MSc Aerospace Programme	-	94,000	(94,000)	-	-	-
Carlton House Terrace Fund	6,363,694	396,352	(154,838)	-	-	6,605,208
Ms Morag Campbell-Nelder	410,000	-	-	-	-	410,000
Other Awards and Contracts	13,093	78,899	(47,533)	-	-	44,459
Queen Elizabeth Prize	-	10,437,631	(1,697,281)	(128,001)	365,058	8,977,407
<b>Total restricted funds</b>	<b>6,879,208</b>	<b>22,649,894</b>	<b>(13,671,150)</b>	<b>(93,515)</b>	<b>365,058</b>	<b>16,129,495</b>
Designated funds						
Special funds						
- Sir Angus Paton Bequest	88,748	-	-	(7,100)	-	81,648
- Hinton Bequest	28,658	-	-	-	-	28,658
- Lloyd's Register Foundation Fund	2,024	-	-	-	-	2,024
- Building Maintenance Fund	205,351	-	-	-	-	205,351
<b>Total special funds</b>	<b>324,781</b>	<b>-</b>	<b>-</b>	<b>(7,100)</b>	<b>-</b>	<b>317,681</b>
Building Development Fund	234,419	-	-	(234,419)	-	-
RAEng MacRobert Award	1,323,837	-	-	(62,686)	-	1,261,151
Education Support Designated Fund	159,675	-	-	(32,100)	-	127,575
Macfarlane Award Designated Fund	-	-	-	9,727	-	9,727
Parliamentary Affairs Designated Fund	-	-	-	10,416	-	10,416
External Education Designated Fund	-	-	-	119,248	-	119,248
Public Engagement Designated Fund	-	-	-	6,247	-	6,247
Website Development						
Designated Fund	-	-	-	27,335	-	27,335
ERAF Entrepreneurs Award						
Designated Fund	-	-	-	24,895	-	24,895
Forum Partnerships Programme						
Designated Fund	-	-	-	60,000	-	60,000
<b>Total Designated Funds</b>	<b>2,042,712</b>	<b>-</b>	<b>-</b>	<b>(78,437)</b>	<b>-</b>	<b>1,964,275</b>
<b>General Fund</b>	<b>17,617,993</b>	<b>2,357,807</b>	<b>(2,144,887)</b>	<b>44,952</b>	<b>3,594,846</b>	<b>21,470,711</b>
<b>Pension Fund Surplus</b>	<b>510,000</b>	<b>-</b>	<b>-</b>	<b>127,000</b>	<b>31,000</b>	<b>668,000</b>
<b>Total Funds</b>	<b>27,049,913</b>	<b>25,007,701</b>	<b>(15,816,037)</b>	<b>-</b>	<b>3,990,904</b>	<b>40,232,481</b>

The General Fund surplus of £212,920 is the difference between Incoming Resources of £2,357,807 and Resources Expended of £2,144,887.

All funds other than the Queen Elizabeth Prize are funds of the Parent Charity.

**Note 17 - Analysis of net assets between funds**

	Tangible fixed assets £	Investments £	Current assets £	Liabilities/ pension asset £	Total net assets £
Restricted funds	6,231,145	5,755,163	5,231,082	(1,087,895)	16,129,495
Special and designated funds	-	-	1,964,275	-	1,964,275
General funds	4,886,418	19,661,743	9,671,023	(12,748,473)	21,470,711
Pension Fund surplus	-	-	-	668,000	668,000
<b>Total funds</b>	<b>11,117,563</b>	<b>25,416,906</b>	<b>16,866,380</b>	<b>(13,168,368)</b>	<b>40,232,481</b>

**Note 18 - Capital commitments**

As at 31 March 2013 the Academy had capital commitments of £624,784 (2011/12 £1,096,838) in respect of building works at Carlton House Terrace.

**Note 19 - Subsidiary activities**

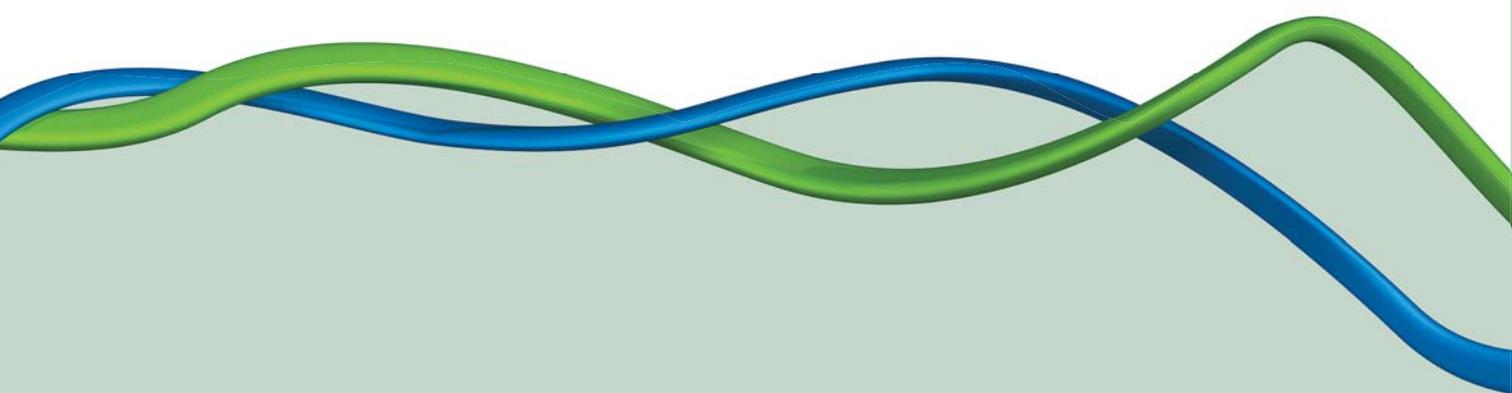
The Academy has one wholly owned trading subsidiary, RAE Trading Limited (registered company number 08038360) and a charitable subsidiary company, The Queen Elizabeth Prize for Engineering Foundation (charity number 1147743, registered company number 8077332). RAE Trading Limited was formed in April 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 Queen Elizabeth Prize for Engineering, and management fees payable to the Academy.

**At 31 March 2013**

	RAE Trading Ltd		Queen Elizabeth Prize	
	2013 £	2012 £	2013 £	2012 £
Total incoming resources	566,490	-	10,437,631	-
Total resources expended	(556,402)	-	(1,825,282)	-
	10,088	-	8,612,349	-
Total investment gains/(losses)	-	-	365,058	-
Net funds before Gift Aid	10,088	-	8,977,407	-
Gift Aid to Royal Academy of Engineering	(10,088)	-		
Retained net funds for the year	-	-	8,977,407	-
The aggregate of the assets, liabilities and funds was:				
Assets	289,743	-	10,113,856	-
Liabilities	(289,643)	-	(1,136,449)	-
Funds	100	-	8,977,407	-

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

	Academy	
	2013 £	2012 £
Gross income	14,110,443	20,891,680
Retained net funds for the year	4,139,154	3,477,964



The Royal Academy of Engineering promotes  
excellence in the science, art and practice of  
engineering.  
Registered charity number 293074

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