

THE ENGINEERING AND TECHNOLOGY BOARD

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2003

CHARITY NO: 1089678

COMPANY NO: 4322409



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THE ENGINEERING AND TECHNOLOGY BOARD

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2003

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THE ENGINEERING AND TECHNOLOGY BOARD

Legal and Administrative Information

CONSTITUTION

The Engineering and Technology Board (ETB) is a charitable company limited by guarantee (Company No.4322409), incorporated on 14 November 2001 and registered as a charity (Charity Registration No.1089678) on 6 December 2001. The address of the principal and registered office is 10 Maltravers Street, London WC2R 3ER.

The members of Board excluding the Chief Executive Officer are deemed to be the Trustees. The method of selection of Board members is as laid down in the Memorandum and Articles of Association. The Chairman of Engineering Council (UK), ex officio, is appointed to the Board by the Board.

The ETB has in place committees and panels to which it has formally delegated specific functions. The day to day activities are managed by the Operating Committee. There is a Nominations and Remuneration Committee, and an Audit Committee appointed by the Board from its members. There is a Registrants Panel made up of members of the Electoral College B.

MEMBERS OF BOARD AND TRUSTEES

The trustees serving during the year and since the year end were:

Committee and Panel Membership

Sir Peter Williams		(N&RC - Chairman)
Marcus Beresford		(N&RC)
Andrew Burton		(RP)
Claire Curtis-Thomas		(N&RC) (RP - Chairman)
Professor Patrick Dowling		
Chris Earnshaw		(AC - Chairman)
Michael Fabricant		(RP)
Richard Gray		(AC)(RP)
Dr Mike Howse	(appointed 13 May 2003)	
Joanna Kennedy		(N&RC)
Dr Julia King	(appointed 13 May 2003)	
Richard Parry Jones		
Sir Martin Sorrell		
Sir Richard Sykes		(N&RC)
Martin Temple		(AC)
Sir Colin Terry		(RP)

Member of Audit Committee (AC)

Member of Nominations and Remuneration Committee (N&RC)

Registrants' Panel (RP)

THE ENGINEERING AND TECHNOLOGY BOARD

Legal and Administrative Information - continued

OPERATING COMMITTEE

Alan Clark, Chief Executive Officer and Member of Board
Bill Falkenau, Chief Finance Officer and Company Secretary
Mike Gannaway, Director Communications and Marketing
John Halton, Director Business Development
Paul Langdell, Director Corporate Planning and Board Secretary
Ashley Rowlands, Acting Director Education, Policy and Innovation
Adrian Talbot, Director e-Services

PROFESSIONAL ADVISERS

INDEPENDENT AUDITORS

PKF, Farringdon Place, 20 Farringdon Road, London EC1M 3AP

BANKERS

HSBC Bank plc, St Clement Danes, 194 Strand, London WC2R 1DX

INSURANCE BROKERS

Aon Consulting Limited, Briarcliff House, Kingsmead, Farnborough, Hampshire GU14 7TE

SOLICITORS

Manches, Aldwych House, 81 Aldwych, London WC2B 4RP
Allen & Overy, One New Change, London EC4M 9QQ

INVESTMENT MANAGER

Laing and Cruickshank Investment Management Ltd., Broadwalk House, 5 Appold Street, London EC2A 2DA

PENSION AND STAFF BENEFITS

Parliament Hill Limited, Media House, 4 Stratford Place, London W1C 1AT

THE ENGINEERING AND TECHNOLOGY BOARD

Report of the trustees for the year ended 31 December 2003

The Engineering and Technology Board (ETB) is a national partnership to promote science, engineering and technology.

Legal and administrative information set out on pages 1 and 2 form part of this report. The financial statements comply with current statutory requirements, the memorandum and articles of association and the Statement of Recommended Practice – Accounting and Reporting by Charities issued in October 2000.

I present this, as Chairman, on behalf of the trustees, who are also directors of the company for the purposes of the Companies Act. The Chief Executive Officer is a director of the company but not a trustee of the charity.

Objects of the charity

The objects of the ETB are set out in its Memorandum and Articles of Association. These are:

- a) to promote for the public benefit the art and science of engineering in all its applications in the context of modern technology;
- (b) to advance education in engineering and technology.

The ETB is obliged to act only within the purposes set out in its Memorandum and Articles of Association. The way in which we seek to achieve the aims and objectives is set out below.

Review of the activities and future developments

In 2003 the ETB's top priorities were:-

- Supporting Science, Technology, Engineering and Mathematics in education, achieved by providing major funding to the Science Engineering Ambassadors programme and by developing new support materials for teachers and careers advisors on engineering and technology, following research into their needs.
- Harnessing the enthusiasm and practical resource with the Science, Engineering and Technology (SET) community to create a national campaign to promote the sector. This has been achieved by defining and launching, with key partners, the first high-profile promotional campaign aimed at changing perceptions of SET among the next generation of potential engineers and technologists.
- Defining the qualifications, role and status of the technician by working for the wider recognition of the role of technician and their contribution to the success of SET based businesses. Specific proposals have been developed with our partners and form a well researched basis for implementation in 2004.

- Evaluating and promoting Continuous Professional Development (CPD) based on research commissioned by ETB to establish both the scope of current CPD provision and the needs of business & industry and of the profession as a whole.
- Broadening the structure of professional qualifications to include the whole SET community which we have addressed by developing with our partners proposals for a professional technologist qualification.

During 2003, we established the value of the partnership approach in fulfilling the ETB remit. We have put in place partnership frameworks and initial memberships for both Corporate and not-for-profit sectors and sought to establish how ETB and its partners can all add value to each others efforts.

We also addressed the need to facilitate essential communications with the ETB's wide audience by developing a capable and responsive 'web portal', specifically designed to match the needs of the SET community and the needs of businesses that are based on SET or depend upon those skills.

In addition, ETB began to contribute proactively to Government and its agencies on broad policy matters wherever those directly or indirectly impact upon the SET sector and/or the Profession. SET skills are critical to the future of the UK, both in terms of the industries they support directly and the needs for a highly trained, technologically sophisticated workforce in all sectors of the economy. Engineering is a key element in SET and whilst the profession is well served by its long established Institutions, there is an increasing need to champion the role of engineering in a broader context, especially in its links with the worlds of government, science, education and industry.

We go into 2004 with three programmes each matching a strong demand evident from our extensive research and consultations in 2003. These three are :-

- Development of the strong promotional theme-based initiative, commencing with the 'Engineering in the Olympics' project launched in 2003.
- Widening the impact of the scenta portal with its capability being further developed to become the prime channel for delivery of many ETB and partner programmes.
- A strong focus on CPD as the lead programme for ETB in the education and skills arena.

Alongside these three lead programmes there is the need to build deeper and wider links with Business & Industry which is an underpinning objective for 2004.

ETB enters 2004 with a solid foundation from its first full year of operation. The experience and 'lessons learnt' from that first year have been fully recognised in the 2004 programme and I believe we are well positioned to meet the challenges of the year ahead.

Review of Financial Position

Statement of Financial Activities (Page 9)

The statement shows Incoming Resources for the period of £6.317m. Of this some £6.194m was generated by the ETB's ongoing activities as detailed in Note 2 on page 14 of the notes to the Accounts. The balance is investment income.

Total Resources expended were £6.577m. Details are given under note 4 pages 14 and 15.

The excess of resources expended over income is therefore £0.260m. The market value of investments increased by £0.070m over the year. The General Fund at 31 December 2003 was therefore £2.220m, of which £2.127m was unrestricted.

Balance Sheet (Page 10)

The Unrestricted Fund comprises:-

	£m	
Net Current Assets less Provisions	0.605	
Investments	<u>1.410</u>	
Funds available to pursue aims & objectives	2.015	(95%)
 Tangible Fixed Assets	 0.112	 (5%)
 Total Fund	 <u>2.127</u>	 (100%)

The values of the Fund's assets are not considered to be materially different from the amounts shown in the accounts.

Deposits and cash were £1.109m at the year end of which £0.093m related to restricted funds. The Board considers that the Balance Sheet at 31 December 2003 is an adequate base from which to proceed.

Subsidiaries

The ETB has established two limited companies, etechb Limited and scenta limited as subsidiaries. The principal purpose of this was to protect the names being used for website purposes. Charity rules do not permit charities to trade outside their objects. Should ETB be involved in any transactions or activities that are regarded as trading, these will be dealt with through the trading subsidiaries. In 2003, etechb limited was dormant and scenta limited had an income of £3,406. Consolidated accounts have not been prepared because the subsidiary undertakings' results are not material to the Group and are not required under SORP 2000 para 300 (b).

Related parties

The Engineering Council (UK) is deemed a related party. Full details of the relationship and transactions are covered under note 5, page 15 of the Accounts. During the year 2 members of staff transferred from the employment of Engineering Council (UK) to ETB under Transfer of Undertakings (Protection of Employment) Regulations 1981 ("TUPE"). The Engineering Council (UK) is an independent charity with its own board of trustees. The relationship does not involve either body exercising control or management over the activities of the other.

Reserves policy and risk management

As required under the Charity Commission's revised Statement of Recommended Practice (SORP 2000) for the preparation of the Trustees' Annual Report and Financial Statements, an exercise has been undertaken to identify the major risks facing the Company. This covered areas such as major reductions in income and investments, unforeseen costs and liabilities, loss of some or all key staff, catastrophic systems failure and destruction of resources. None of the risks are so significant that they should threaten the survival of the company. Contingency plans have been made to help mitigate the effects of any adverse circumstances or situations. The information from the exercise has assisted in the setting of investment and reserves policies.

At 31 December 2003, the ETB held unrestricted reserves in the region of £2.1m, equivalent to 4 months of ongoing expenditure, which is broadly in line with policy. It is policy that reserves be maintained at a level considered by the Board to be sufficient to ensure funds are always available to meet liabilities without borrowing, taking account of inflation. It is considered that the current level of reserves remains sufficient to meet this.

Grant Making Policy

The ETB awards grants to support organisations and activities that develop and promote its aims and objectives.

Investment Policy

The investment of surplus monies is governed by paragraph 4(18) of the Memorandum and Articles of Association. During 2003 there were no purchases or disposals of investments.

The policy for investing funds has been considered and it has been found that a mix of equity based trusts, gilts and cash holdings best meets requirements for both income and capital growth. It is confirmed that the investments held were acquired in accordance with powers available to the Trustees. The gilts provide a fixed rate return and their market value reflects this. The performance of the equities during the period was good in line with the stock market generally.

Statement of the Trustees' Responsibilities

The trustees, acting on behalf of the Board, are required to prepare financial statements for each financial period which give a true and fair view of the Board's financial activities and of its financial position at the end of the period.

In preparing financial statements giving a true and fair view, the trustees should follow best practice and:

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

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Board and which enable them to ensure that the accounts comply with the Companies Act 1985 and Financial Reporting Standards, in so far as these are appropriate to the Board, its Memorandum and Articles of Association, and with the Statement of Recommended Accounting Practice issued by the Charity Commissioners. They are also responsible for safeguarding its assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

During the year Begbies, Everett and Chettle resigned as auditors and PKF were appointed by the Board in their place. A resolution will be proposed at the Annual General Meeting that PKF be re-appointed as auditors to the charity for the ensuing year.



Sir Peter Williams
Chairman

Signed on behalf of the Board and Trustees

28 April 2004

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE ENGINEERING AND TECHNOLOGY BOARD**

We have audited the financial statements of The Engineering and Technology Board (ETB) for the year ended 31st December 2003 which comprise the Statement of Financial Activities, the Balance Sheet, Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by the law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the Statement of Trustees' Responsibilities, the directors (who are also the trustees of ETB for the purposes of charity law) are responsible for the preparation of financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the charitable company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the charitable company is not disclosed.

We are not required to consider whether the statement in the Trustees' Report concerning the major risks to which the charitable company is exposed covers all existing risks and controls, or to form an opinion on the effectiveness of the charitable company's risk management and control procedures.

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

Basis of audit opinion

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the charitable company as at 31st December 2003 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


PKF
Registered Auditors

London UK
30 April 2004

THE ENGINEERING AND TECHNOLOGY BOARD

Statement of Financial Activities (incorporating an Income and Expenditure Account) for the Year Ended 31 December 2003

	Note	Unrestricted Funds £000	Restricted Funds £000	Total Funds 2003 £000	Total Funds 2002 £000
INCOMING RESOURCES					
Activities in furtherance of the charity's objects					
Registration fees, grants and other income	2	5,954.5	239.2	6,193.7	8,496.0
Activities for generating funds					
Investment Income	3	123.3	-	123.3	108.1
Total Incoming Resources		<u>6,077.8</u>	<u>239.2</u>	<u>6,317.0</u>	<u>8,604.1</u>
RESOURCES EXPENDED					
Charitable expenditure:					
Grants payable in furtherance of the charity's objects	16	2,227.2	62.4	2,289.6	2,556.8
Cost of activities in furtherance of the charity's objects		3,830.2	83.7	3,913.9	3,126.6
Management and Administration		373.9	-	373.9	353.2
Total resources expended		<u>6,431.3</u>	<u>146.1</u>	<u>6,577.4</u>	<u>6,036.6</u>
Net (Resources Expended)/ Incoming Resources		(353.5)	93.1	(260.4)	2,567.5
Other Recognised Gains & Losses					
Unrealised Net Gains/(Losses) on Investment Assets	6	69.5	-	69.5	(156.4)
Net Movement in Funds		(284.0)	93.1	(190.9)	2,411.1
Fund Balances Brought Forward					
At 1 January		2,411.1	-	2,411.1	-
Fund Balances Carried Forward					
At 31 December		<u>2,127.1</u>	<u>93.1</u>	<u>2,220.2</u>	<u>2,411.1</u>

The notes to the accounts on pages 12 - 24 form part of these accounts.

The above results are derived from continuing activities. All gains and losses recognised in the year are included above. The deficit for the year for Companies Act purposes comprises the net resources expended for the period and was £260,400 (2002 - £2.567 million surplus).

THE ENGINEERING AND TECHNOLOGY BOARD

Balance Sheet as at 31 December 2003

	Note	2003 £000	2002 £000
Fixed Assets			
Tangible Assets	7	111.7	125.5
Investments	6	<u>1,410.2</u>	<u>1,340.7</u>
		<u>1,521.9</u>	<u>1,466.2</u>
Current Assets			
Debtors and prepayments	8	455.2	549.8
Deposits and cash	14	<u>1,108.6</u>	<u>1,594.8</u>
		<u>1,563.8</u>	<u>2,144.6</u>
Creditors			
Amounts falling due within one year			
Creditors	9	(528.3)	(898.3)
Income in Advance	10	<u>(204.2)</u>	<u>(149.9)</u>
		<u>(732.5)</u>	<u>(1,048.2)</u>
Net Current Assets		831.3	1,096.4
Total assets less current liabilities		2,353.2	2,562.6
Provisions For Liabilities and Charges	11	<u>(133.0)</u>	<u>(151.5)</u>
Total Net Assets		<u>2,220.2</u>	<u>2,411.1</u>
Unrestricted funds			
General		1827.1	1736.1
Designated		<u>300.0</u>	<u>675.0</u>
	12	<u>2127.1</u>	<u>2411.1</u>
Restricted funds	12	93.1	-
		<u><u>2,220.2</u></u>	<u><u>2,411.1</u></u>

The accounts on pages 9 to 24 were approved and signed on behalf of the Trustees on 28 April 2004 by the Chairman of the Board and the Chairman of the Audit Committee:

Chris Earnshaw
Chairman of the Audit Committee

Sir Peter Williams
Chairman of the Board

The notes to the accounts on pages 12 to 24 form part of these accounts.

THE ENGINEERING AND TECHNOLOGY BOARD

Cash Flow Statement for the Year Ended 31 December 2003

CASH FLOW STATEMENT		2003	2002
	Note	£000	£000
Net cash (outflow)/inflow from operating activities	13	(579.6)	3,129.4
Returns on investments and servicing of finance	3	123.3	108.1
Capital expenditure	7	(29.9)	(145.6)
Investment in equities	6	-	(1,497.1)
(Decrease)/Increase in cash		<u>(486.2)</u>	<u>1,594.8</u>
 Reconciliation of net cash flow to movement in net cash balances		 2003	 2002
	14	£000	£000
(Decrease)/Increase in cash		(486.2)	1,594.8
Net cash balances at 1 January		1,594.8	-
Net cash balances at 31 December		<u>1,108.6</u>	<u>1,594.8</u>

THE ENGINEERING AND TECHNOLOGY BOARD

Notes to the Accounts for the Year ended 31 December 2003

1. STATEMENT OF ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" published in October 2000 and applicable accounting standards.

1.2 Company status

The charity is a company limited by guarantee. The members of the company are defined in the Memorandum and Articles of Association. In the event of the charity being wound up the liability in respect of the guarantee is limited to £1 per member of the charity.

1.3 Incoming Resources

Income from Registration fees is accounted for on an accruals basis. Income from grants is recognised when the grant is due. Sponsorship and other income received from industry is accounted for on an accruals basis.

1.4 Investment Income

Investments and interest received from bank deposits and gilt-edged securities is accounted for on an accruals basis. Dividend from equity investments is accounted for on a receivable basis. Investments are included in the Balance Sheet at market value. Realised and unrealised gains and losses are included in the Statement of Financial Activities.

1.5 Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of resources.

Other allocated costs have been apportioned against staff numbers. Management and Administration costs include specific staff costs plus 20% of the Chairman and Chief Executive costs and an apportionment of other allocated costs. All other costs are considered to be costs to further the ETB's activities.

1.6 Pension costs

The ETB operates a defined contribution pension scheme for staff who are not members of the Engineering Council Pension Scheme. The employer contributes 10% of basic salary and the employee 5%. The costs recognised in the SOFA represent the contributions payable in the accounting period.

THE ENGINEERING AND TECHNOLOGY BOARD

Notes to the Accounts for the Year ended 31 December 2003

1. STATEMENT OF ACCOUNTING POLICIES - continued

1.6 Pension costs - continued

The company operates a contracted-out defined benefit pension scheme for those employees transferred from Engineering Council who were in the Scheme at date of transfer. The assets of the scheme are held in a separate trustee administered fund. Contributions are determined by a professionally qualified independent actuary on the basis of triennial valuations using the attained age method. The most recent valuation was with an effective date of 31 December 2001. Pension costs are charged to the SOFA as they fall due.

1.7 Tangible Fixed Assets and Depreciation

Tangible fixed assets, individually or in aggregate, costing more than £1,000 are capitalised and included at cost including any incidental expenses on acquisition.

Depreciation is provided on all tangible fixed assets at rates calculated to write off their cost evenly over their expected useful lives as follows:

Computer and office equipment	- 3 to 5 years
Fixtures and fittings	- 3 to 5 years
Computer software	- written off in the year of acquisition

1.8 Finance and Operating Leases

Rentals applicable to operating leases are charged to SOFA over the period in which the cost is incurred. There are no finance leases.

1.9 Value Added Tax

Due to the nature of the ETB's income sources almost all VAT incurred on purchases is irrecoverable. Irrecoverable VAT input charges have therefore been included in the expenditure areas to which they relate.

THE ENGINEERING AND TECHNOLOGY BOARD

Notes to the Accounts for the Year Ended 31 December 2003

2. INCOMING RESOURCES FOR ACTIVITIES IN FURTHERANCE OF THE CHARITY'S OBJECTS

	Unrestricted	Restricted	2003 Total	2002
	£000	£000	£000	£000
EC(UK) Registration fees assigned to ETB	4,398.0	-	4,398.0	4,583.9
Corporate and Network Member fees	89.1	-	89.1	107.1
Government grants (see note 15)	1,413.0	-	1,413.0	1,660.0
Other sponsorship for projects	-	239.2	239.2	18.0
Grant from EC(UK)	-	-	-	2,127.0
Miscellaneous	54.4	-	54.4	-
	<u>5,954.5</u>	<u>239.2</u>	<u>6,193.7</u>	<u>8,496.0</u>

EC(UK) Registration fees include a provision of £149,500 (2002 - £111,000) to cover late adjustments by Institutions in 2004 for non-payment of fees by registrants in 2003. (See note 10)

3. INVESTMENT INCOME

	2003	2002
	£000	£000
Bank Interest Receivable	37.7	34.6
Other Investment Income	85.6	73.5
	<u>123.3</u>	<u>108.1</u>

The investment income arises from investment assets in the UK.

4. CHARITABLE EXPENDITURE

Resources Expended	Direct Costs	Staff Costs	2003 Other Allocated Costs	Total Costs 2003	Total Costs 2002
	£000	£000	£000	£000	£000
Grant to EC(UK)	1,587.3	-	-	1,587.3	1,871.2
Eurling Registration fee	-	-	-	-	15.1
Science and Engineering Ambassadors Scheme	550.3	-	-	550.3	593.2
Strengthening STEM in Education	369.5	207.1	63.7	640.3	209.5
Modernising the professional qualifications structure	66.5	110.5	34.0	211.0	127.0
Business development	69.9	230.3	63.7	363.9	400.5
Campaign for Promoting Engineering	106.1	66.0	38.2	210.3	114.5
Grant support to other organisations	89.5	-	-	89.5	87.8
Promoting and campaigning	398.2	318.7	129.2	846.1	755.4
Engaging our community and perception research	121.8	79.7	32.3	233.8	158.6
Website and IT services	299.9	230.4	63.7	594.0	206.3
Corporate initiatives and organisation set-up	196.7	470.1	102.0	768.8	886.8
Support costs	-	65.7	42.5	108.2	257.5
	<u>3,855.7</u>	<u>1,778.5</u>	<u>569.3</u>	<u>6,203.5</u>	<u>5,683.4</u>
Management and Administration	-	263.4	110.5	373.9	353.2
Total resources expended	<u>3,855.7</u>	<u>2,041.9</u>	<u>679.8</u>	<u>6,577.4</u>	<u>6,036.6</u>

Other allocated costs have been applied to expenditure areas in ratio to the average number of staff employed in each area. Expenditure from restricted funds relates to direct costs of £106,100 CPE and £40,000 Corporate initiatives.

THE ENGINEERING AND TECHNOLOGY BOARD

Notes to the Accounts for the Year Ended 31 December 2003

4. CHARITABLE EXPENDITURE - continued

Total resources expended include:	2003	2002
	£000	£000
Other allocated costs		
Accommodation	422.6	417.5
Office facilities and services	133.4	153.1
Depreciation	43.7	20.1
Insurance	19.5	20.6
Legal and Other Professional Fees	28.5	3.9
Audit and other financial services costs (see note 19)	32.1	19.2
	<u>679.8</u>	<u>634.4</u>

5. RELATED PARTY TRANSACTIONS

The Engineering Council (UK) [EC(UK)], formerly the Engineering Council, is a related party to ETB. Under its supplemental charter which came into effect on the 22 March 2002, the ETB may nominate 7 of its 22 Board members. By its Regulations, EC(UK) has assigned all income from its registration fees to ETB. Changes to this regulation cannot be made without ETB's approval. The level of fee is determined by the ETB.

During the year ended 31 December 2003 the following transactions took place between the parties:

1. EC (UK) assigned all income derived from Registration fees, £4.398 million (2002 - £4.584 million), to ETB.
2. ETB provided a grant to EC(UK) of £1.587 million (2002 - £1.871 million) to fund its operations.
3. ETB and EC(UK) occupy floors in the same building. The leases are held by EC(UK). Where possible each party has paid directly for its own costs. Net cross charges from EC(UK) to ETB were in the region of £481,000 inc VAT (2002 - £612,000) during the period, to cover accommodation and office services costs.

ETB also has relations with SETNET and the WISE initiative to which grants have been paid. The grants are detailed under note 16. ETB Trustees and senior staff participate in management boards and groups for both activities. These are not controlling interests.

ETB made a grant of £2,000 to the Institute of Physics, to jointly fund, with others, a meeting 'The Three R's: Getting More Women Into Science Engineering and Technology'. The Chief Executive of the Institute of Physics, Dr Julia King, is also a trustee of ETB.

THE ENGINEERING AND TECHNOLOGY BOARD

Notes to the Accounts for the Year Ended 31 December 2003

6. FIXED ASSET INVESTMENTS

	2003 £000	2002 £000
Market Value at 1 January	1,340.7	-
Additions - market value of investments at date of transfer	-	1,497.1
Unrealised Gain/(Loss) for the year	69.5	(156.4)
Market Value at 31 December	1,410.2	1,340.7
Historical cost at 31 December	1,497.1	1,497.1

UK listed investments are represented by:

8.5% Treasury Stock 2007	835.5	871.0
Equities	574.7	469.7
Total	1,410.2	1,340.7

7. TANGIBLE FIXED ASSETS

	Computer Equipment £000	Office Equipment £000	Fixtures & Fittings £000	Total 2003 £000
Cost				
Brought Forward 1 January	43.3	2.8	99.5	145.6
Acquisitions During Year	27.8	-	2.1	29.9
Disposals During Year	-	-	-	-
Carried Forward 31 December	71.1	2.8	101.6	175.5
Depreciation				
Brought Forward 1 January	8.1	1.2	10.8	20.1
Charge for Year	22.1	1.3	20.3	43.7
Disposals During Year	-	-	-	-
Carried Forward 31 December	30.2	2.5	31.1	63.8
Net Book Value				
31 December 2003	40.9	0.3	70.5	111.7
31 December 2002	35.2	1.6	88.7	125.5

All assets are used by the charity for its own purposes.

8. DEBTORS AND PREPAYMENTS

	2003 £000	2002 £000
Registration Fees Due	108.3	275.4
Other Debtors	92.5	11.0
Prepayments and Accrued Income	254.4	263.4
	455.2	549.8

THE ENGINEERING AND TECHNOLOGY BOARD

Notes to the Accounts for the Year Ended 31 December 2003

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£000	£000
Trade Creditors	109.6	176.5
EC(UK)	94.9	524.5
Other Creditors	43.0	68.1
Taxation, including Income Tax	51.6	44.1
Accruals	229.2	85.1
	<u>528.3</u>	<u>898.3</u>

10. INCOME IN ADVANCE

	2003	2002
	£000	£000
Provision for EC(UK) Registration Fees overpayment	149.5	111.0
Members Fees Received in Advance	54.7	38.9
	<u>204.2</u>	<u>149.9</u>

11. PROVISIONS AND LIABILITIES FOR CHARGES

	Amount at 1 Jan	Added Provision	Amounts Used	Amount at 31 Dec
	£000	£000	£000	£000
a) Building dilapidation	76.5	56.5	-	133.0
b) Projects and sundry liabilities	<u>75.0</u>	<u>-</u>	<u>75.0</u>	<u>-</u>
	<u>151.5</u>	<u>56.5</u>	<u>75.0</u>	<u>133.0</u>

a) In accordance with its lease the ETB is obliged to return the leasehold property in 2007 to the landlord in the same condition as when originally occupied. The provision is based on an estimate of the likely costs involved having regard to the condition of the property at the balance sheet date.

THE ENGINEERING AND TECHNOLOGY BOARD

Notes to the Accounts for the Year Ended 31 December 2003

12. FUNDS

Movements in the Funds during the Year have been as follows:

	1 January 2003	Net (Deficit)/ Surplus of Resources for the period	Other Recognised Gains	Reserve Transfers	31 December 2003
	£000	£000	£000	£000	£000
General Fund	1,736.1	(353.5)	69.5	375.0	1,827.1
Designated Fund					
Project Reserves	675.0	-	-	(375.0)	300.0
Total Designated Fund	675.0	-	-	(375.0)	300.0
Total Unrestricted Funds	2,411.1	(353.5)	69.5	-	2,127.1
Restricted Funds	-	93.1	-	-	93.1
Total Funds	2,411.1	(260.4)	69.5	-	2,220.2

The project reserves under designated funds are required to cover planned project expenditure in 2004. These principally concern items budgeted for or committed in 2003 relating to 'Engineering in the Olympics', science and education programmes. For accounting purposes these are not recognisable in 2003. There is no restriction on the use of these funds. The restricted funds represent the balance of contributions provided by patrons for the Campaign to Promote Engineering programme.

**13. RECONCILIATION OF NET SURPLUS
TO NET CASH (OUTFLOW)/INFLOW FROM
OPERATING ACTIVITIES**

	2003 £000	2002 £000
Net (Deficit)/Surplus for the year	(260.4)	2,567.5
Adjust for:		
Returns on investments and servicing of finance	(123.3)	(108.1)
Depreciation	43.7	20.1
Movements in debtors and prepayments	106.5	(549.8)
Movements in creditors and provisions	(400.4)	1,049.8
Movements in Income in advance	54.3	149.9
Net cash (outflow)/inflow from operating activities	(579.6)	3,129.4

**14. ANALYSIS OF CHANGES IN NET
CASH BALANCES**

	At 1 Jan 2003 £000	Cash flows £000	At 31 Dec 2003 £000
Cash in Hand	197.8	(66.5)	131.3
Short-term deposits	1,397.0	(419.7)	977.3
Cash Balances	1,594.8	(486.2)	1,108.6

**15. SUMMARY OF INCOME RECEIVED IN RESPECT
OF SPONSORED PROJECTS**

	2003 £000	2002 £000
Grants from DTI	1,413.0	1,660.0
Quinco and CPE sponsors	199.2	-
Total	1,612.2	1,660.0

THE ENGINEERING AND TECHNOLOGY BOARD

Notes to the Accounts for the Year Ended 31 December 2003

16. GRANTS PAID	2003	2002
	£000	£000
Engineering Council (UK)	<u>1587.3</u>	<u>1871.2</u>
Science and Engineering Ambassadors Programme (by region)		
Organisations in 15 Regions	-	135.7
SETNET	<u>550.3</u>	<u>378.4</u>
Total SEAS Programme	<u>550.3</u>	<u>514.1</u>
Campaign to Promote Engineering		
F1 for schools	19.5	-
Greenpower	35.0	-
Brunel award	1.0	-
Regional networks	<u>6.9</u>	<u>-</u>
	<u>62.4</u>	<u>-</u>
Foundation for Science and Technology		
Other		
SEMTA - Women In Science and Engineering	35.0	35.0
RSA Competition	48.3	-
Foundation for Science and Technology	4.0	-
Institute of Physics	2.0	-
WES	0.3	-
Young Engineers Club - Competition	-	50.0
World Leaders Award	-	15.0
Quinco - 'campaign to promote engineering'	-	70.0
Oxis - sponsoring conference	-	1.5
	<u>89.6</u>	<u>171.5</u>
Total	<u>2,289.6</u>	<u>2,556.8</u>

17. EXPENSES REIMBURSED TO TRUSTEES

	2003	2002
Expenses were reimbursed to Trustees during the year as follows:		
Travel and Subsistence	£5,887	£4,988
Number of Board members in Receipt of Reimbursed Expenses	5	5

The increase in expenses reflects more activity in 2003. Most trustees were appointed in June 2002, and therefore 2002 does not represent a full year's activity.

THE ENGINEERING AND TECHNOLOGY BOARD

Notes to the Accounts for the Year Ended 31 December 2003

18. INDEMNITY INSURANCE

The ETB, indemnifies Board members, its employees and volunteer agents against loss arising from neglect or default in the performance of duties. This risk was covered by insurance at a cost of £10,500 (2002 - £3,500).

19. AUDIT AND OTHER FINANCIAL SERVICES COSTS

	2003	2002
	£000	£000
Audit Fees	13.8	14.1
Fees for audit of DTI grant claims and other accountancy services	16.3	2.6
Actuarial Advice	-	1.5
Other Financial Services Fees	2.0	1.0
Total	<u>32.1</u>	<u>19.2</u>

20. COMMITMENTS

a) Operating lease commitments

The following payments will be made next year in respect of commitments on operating leases expiring:

	2003	2003	2002	2002
	Land and	Office	Land and	Office
	Buildings	Equipment	Buildings	Equipment
	£000	£000	£000	£000
within one year	-	0.5	-	0.5
between one and five years	372.5	-	313.1	-
over five years	-	-	-	-
	<u>372.5</u>	<u>0.5</u>	<u>313.1</u>	<u>0.5</u>

b) Other commitments

An agreement dated 3 April 2002 transferred the Neighbourhood Engineers programme from Engineering Council (UK) to The Science Engineering Technology Mathematics Network (SETNET). A commitment was made by ETB to grant £550,000 in each year up to 2007 to SETNET as support to the programme. The obligation may be terminated on 31 December 2004 on giving 9 months notice prior to that date. In order to accommodate the renegotiation of certain agreement terms, notice of termination was given on 3 March 2004. Payment of the grant is dependent on SETNET meeting specified aims and objectives.

21. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	General	Designated	Restricted	Total
Fund balances at 31 December 2003 are represented by:	funds	funds	funds	
	£000s	£000s	£000s	£000s
Tangible fixed assets	111.7	-	-	111.7
Investments	1,410.2	-	-	1,410.2
Current assets	1,170.7	300.0	93.1	1,563.8
Current liabilities	(732.5)	-	-	(732.5)
Long term liabilities	(133.0)	-	-	(133.0)
Total net assets	<u>1,827.1</u>	<u>300.0</u>	<u>93.1</u>	<u>2,220.2</u>

THE ENGINEERING AND TECHNOLOGY BOARD

Notes to the Accounts for the Year Ended 31 December 2003

22. STAFF COSTS INCLUDING PENSIONS AND SOCIAL SECURITY COSTS

The average number of persons employed by the ETB during the year was in the following categories:

	2003	2002
	No	No
Operating Committee	7	7
Staff in direct activities	18	7
Secretarial and Administrative Staff	6	9
Total Staff	31	23

The 2002 average reflects a start up situation. The actual staff employed at year-end was 31.

	Staff Costs	
	2003	2002
	£000	£000
Salaries	1,600.3	1,199.5
Social Security Costs	166.2	106.3
Other Pension Costs	136.1	94.6
Other Staff Benefits	35.4	9.6
Temporary and agency staff	31.7	23.1
Training, travel and other expenses	72.2	85.1
	2,041.9	1,518.2

Number of Employees whose emoluments exceeded £50,000 for the Year were as follows:

	2003	2002
Exceeding £50,000 But Not Exceeding £60,000	1	3
Exceeding £60,000 But Not Exceeding £70,000	1	1
Exceeding £70,000 But Not Exceeding £80,000	1	1
Exceeding £80,000 But Not Exceeding £90,000	3	2
Exceeding £90,000 But Not Exceeding £100,000	1	-
Exceeding £120,000 But Not Exceeding £130,000	-	1
Exceeding £170,000 But Not Exceeding £180,000	1	-

With the consent of the Charity Commission, the Chairman of the ETB is remunerated for his duties. In the year ended 31 December 2003, the sum of £75,000 was paid (2002 - £75,000). No other trustee received any emoluments during the year.

The total employer contributions during the year to defined contribution pension schemes relating to the higher paid staff above was £57,335 for 5 employees (2002 - £28,546 for 4 employees), including contributions of £23,175 (2002 - £16,472) relating to the Chief Executive. One of the higher paid employees above was a member of the Engineering Council Pension Scheme, a defined benefit scheme.

The Chief Executive is a director of the Company but not a trustee. He is the highest paid director. During the period he received total emoluments of £175,778 (2002 - £125,287). This does not include the pension scheme contributions reported above.

THE ENGINEERING AND TECHNOLOGY BOARD

Notes to the Accounts for the Year Ended 31 December 2003

23. PENSIONS

The Engineering Council Pension Scheme

The Engineering Council Pension Scheme is a defined benefit pension scheme based on final pensionable salary. The Scheme is contracted out of the earnings related part of the State Pension Scheme. The assets of the Scheme are held in a separate trustee administered fund, currently invested with 'The Scottish Widows' Fund and Life Assurance Society' and 'Schroder Investment Management (UK) Limited'.

In 2002 a number of staff transferred to ETB from EC(UK) under TUPE arrangements. To accommodate this the ETB became an associated employer of the Engineering Council Pension Scheme.

At 31 December 2003 there were 5 (2002 - 8) members of ETB staff contributing to the Scheme out of 16 contributing members in total. The proportion of the total Scheme fund attributable to ETB staff or ex ETB staff is approximately 7%. On withdrawal from the Scheme by ETB or closure, assets would be segregated in a similar proportion. ETB employer contributions during 2003 were £36,000 (2002 - £40,400) which represents an employer contribution rate of 15% in accordance with the actuary's recommendation in the valuation report as at 31 December 2001. The total contribution rate is 20%. The major assumptions used by the actuary in determining the valuation are the same as those detailed in the table below.

FRS 17 "Retirement Benefits Disclosure"

The transitional arrangements of the new accounting standard FRS17 require disclosure of assets and liabilities as at 31 December 2003 calculated in accordance with the requirements of FRS17. They also require disclosure of the items which would appear in the statement of financial activities. For the purpose of these financial statements, all of these figures are illustrative only and do not impact on the actual 31 December 2003 balance sheet or on the year's performance statements.

An actuarial valuation was carried out at 31 December 2001 by a qualified independent actuary and updated to 31 December 2003. The findings were as follows:

Major Assumptions	31 December 2003 % per annum	31 December 2002 % per annum	31 December 2001 % per annum
Discount rate	5.75	5.75	5.25
Rate of increase in salaries	4.00	4.00	4.00
Rate of increase in deferred pensions	2.50	2.50	2.50
Rate of increase in pensions in payment related to inflation	2.50	2.50	2.50
Inflation assumption	2.50	2.50	2.50

THE ENGINEERING AND TECHNOLOGY BOARD

Notes to the Accounts for the Year Ended 31 December 2003

23. PENSIONS - continued

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 31/12/2003	Value at 31/12/2003	Long-term rate of return expected at 31/12/2002	Value at 31/12/2002	Long-term rate of return expected at 31/12/2001	Value at 31/12/2001
		£000s		£000s		£000s
Equities	7.0%	5,025	5.3%	4,879	5.3%	5,960
Bonds	5.5%	771	5.5%	258	5.5%	225
Cash	3.0%	99	3.0%	46	3.0%	44
Property	4.0%	117	4.0%	69	4.0%	66
Total market value of assets		6,012		5,252		6,295
Present value of Scheme liabilities		5,872		5,657		6,058
Surplus/(Shortfall) in Scheme assets		140		(405)		237

The net expected long-term rate of return is 6.7% at 31 December 2003 (2002 - 5.25%)

The figures below are based on 7% of the total pension scheme amounts, being the proportion relating to ETB

Illustrative charge to statement of financial activities over the financial year.

	2003	2002
	£000	£000
Analysis of the amount charged to operating profit		
Current service cost	7	21
Past service cost	-	-
Total operating charge	7	21
Other finance income		
Expected return on pension scheme assets	24	23
Interest on pension scheme liabilities	(23)	(15)
	1	8

Illustrative amounts which would be included in the statement of total recognised gains and losses

	2003	2002
	£000	£000
Actual return less expected return on pension scheme assets	42	(97)
Experience gains and losses arising on the scheme liabilities	(4)	-
Changes in assumptions underlying the present value of scheme liabilities	-	48
Total	38	(49)

THE ENGINEERING AND TECHNOLOGY BOARD

Notes to the Accounts for the Year Ended 31 December 2003

23. PENSIONS - continued

Movement in illustrative balance sheet surplus figures during the year	2003 £000	2002 £000
(Deficit)/surplus in scheme at beginning of the year	(28)	17
Movement in year:		
Current service costs	(7)	(21)
Contributions	6	17
Past service costs	-	-
Other finance income	1	8
Actuarial gain/(loss)	38	(49)
	<u>10</u>	<u>(28)</u>

If the above amounts were recognised in the ETB's financial statements, the Company net assets and net movement in funds would be as follows:

	2003 £000	2002 £000
Net assets before pension surplus/(shortfall)	2,220	2,411
Pension surplus/(shortfall)	<u>10</u>	<u>(28)</u>
Net assets after pension surplus/(shortfall)	<u>2,230</u>	<u>2,383</u>
Net movement in funds before pension surplus/(shortfall)	(191)	2,411
Pension surplus/(shortfall)	<u>38</u>	<u>(45)</u>
Net movement in funds after pension surplus/(shortfall)	<u>(153)</u>	<u>2,366</u>

Stakeholder and Other Pension Schemes

The ETB decided not to offer entry to the Engineering Council Pension Scheme to staff who were not already members prior to TUPE transfer and nominated a Stakeholder pension scheme. This is a defined contribution scheme operated by Scottish Widows and is not contracted out of the earnings related part of the State Pension Scheme. The employer contributes 10% of pensionable salary and the employee 5%. The ETB permits staff to join other stakeholder schemes of their choice with contributions on the same basis as the nominated scheme. One member of staff has taken this option. Employer contributions during the year were £77,026 (2002 - £37,816).

The Chief Executive Officer is a member of an occupational pension scheme operated by Standard Life. This is a defined contribution scheme to which the employer contributes 15% of pensionable salary. It is contracted out of the earnings related part of the State Pension Scheme. Details of contributions are shown under note 22.