

**THE INSTITUTION OF ENGINEERING AND TECHNOLOGY**

Trustees' Annual Report and Accounts

Year ended: 31 December 2006

Charity no: 211014

<b>Contents</b>	<b>Page</b>
Trustees' Annual Report	
- <i>Objectives of the IET</i>	2
- <i>Activities, Achievements and Performance</i>	4
- <i>Plans for Future Periods</i>	9
- <i>Financial Review</i>	9
- <i>Reserves Policy</i>	10
- <i>Investment Policy</i>	11
- <i>Reference &amp; administrative information</i>	12
- <i>Structure, Governance &amp; Management</i>	13
Statement of Trustees' Responsibilities	15
Independent Auditors' Report	16
Consolidated Statement of Financial Activities	17
Consolidated and IET Balance Sheets	18
Consolidated Cashflow Statement	19
Notes forming part of the Financial Statements	20

## REPORT OF THE TRUSTEES

### IET Objectives

The objects of the Institution of Engineering and Technology (IET) set out in the governing documents are to achieve public benefit by promoting the general advancement of science, engineering and technology and to facilitate the exchange of information and ideas on these subjects amongst the members of the IET and otherwise.

The IET's Mission is that by facilitating the generation and dissemination of knowledge and advancement of science, engineering and technology through publishing, education and its networks - it helps realise personal ambitions and positively benefit humankind.

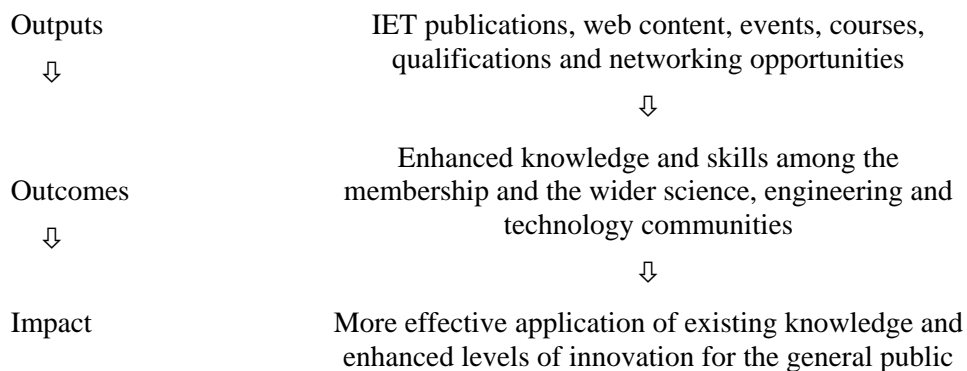
### *Delivering Public Benefit*

The IET operates as a technical publisher and public champion of science, engineering and technology, as well as a qualifying and membership body. With over 150,000 members, and in excess of 100 groups of volunteers supporting its activities around the world, the IET is Europe's largest membership based Engineering Institution. While some of the IET's work engages directly with the general public, the bulk of the IET's public benefit is provided by supporting the generation and dissemination of knowledge amongst members and other individuals actively engaged in engineering and technology.

Through its structure as a membership body the IET is able to benefit from the contribution of the time and expertise of many member volunteers in addition to subscription income in achieving its charitable objectives. Membership of the IET is promoted to encourage and demonstrate commitment to professional development through its membership services and, where relevant, appropriate recognised qualification. Membership also brings active individuals into closer contact with like minded individuals, encouraging the flow of knowledge and the development of member-led activities across geographic and technical boundaries.

The IET is a major publisher of peer-reviewed technical papers, professional development material, technical standards and guidance, and provides valuable research tools through its secondary publishing services. The IET provides opportunities to share and disseminate knowledge through its publications, events and Technical and Professional Networks (TPNs). The IET also encourages high standards in teaching, the achievement of professional qualifications and life-long learning to ensure individuals serve the needs of society effectively.

The IET seeks to increase the generation of new knowledge by encouraging relevant research, cross-disciplinary and international collaboration, and promoting the benefits of innovation, research and development to industry. The IET's activities are therefore targeted at the delivery of public benefit as follows:



The IET devotes significant resources to promoting public awareness and informing public and policy debate on relevant issues within the fields of science, engineering & technology (SET), including actively seeking to promote SET to able young people. The IET also encourages the sharing of best practice between corporate and educational stakeholders. Significant resources are provided freely to the profession, general public and stakeholders via its website and event activity. The IET's financial strategy in part is to operate efficiently and pursue a policy of continuous improvement thereby creating financial resources to fund these non income generating activities. During 2006 the IET expended resources, including these public activities, of £49.3m and received £48.5m in incoming resources, generating a small deficit before the benefit of investment gains and the adjustment for pensions scheme accounting (FRS17).

### ***Main Objectives and Strategies***

The IET operates a rolling 5-year Corporate Plan which sets out agreed annual objectives in achieving its Mission. The current Corporate Plan aims to increase the impact of the IET through:

- Linking the global community of engineers and technologists to encourage the freer flow of information and knowledge between individuals and groups.
- Growing levels of engagement with the activities of the IET, including increased interaction with web content, attendance at events and membership.
- Maintaining and developing its world-class publishing activity through the development and promotion of relevant products and services and growth in key international markets.
- Raising the profile of science, engineering and technology among young people and the wider public.
- Revitalising the Institution's portfolio of internationally-recognised qualifications.
- Ensuring staff, volunteers and other stakeholders work in close partnership to deliver the IET's Mission within a framework of sound governance and management.

Strategies employed to achieve these objectives have included investment in new product and market development as well as enhancement of organisational capability in terms of staff and infrastructure resources. The IET has also pursued a consolidation strategy aimed at reducing the number of discipline-specific engineering institutions and releasing the synergies of combination for the public benefit.

The Trustees receive regular reports on performance against the Corporate Plan and a number of the achievements in 2006 are reported in the following pages.

### **Formation of the IET**

The Institution represents the combination of the Institution of Electrical Engineers (IEE) and the Institution of Incorporated Engineers (IIE, charity number 1088681) on 31 March 2006. On the same day the IEE changed its name to the Institution of Engineering and Technology (IET) and adopted a revised Charter. The financial statements reflect the combined activities of the organisations for the current and prior year.

The revised Charter has broadened the scope of the Institution of Engineering and Technology's charitable objectives, allowing it to contribute strongly to a vision of a more inclusive, global and interdisciplinary community of engineers and technologists delivering benefit to humankind through the advancement of knowledge. Integration of the two founding Institutions was completed successfully during the year and provides a strong platform for the future.

## Activities, Achievements & Performance

### *Public Policy and Awareness*

Objectives in this area are to provide informed opinion to guide policy formation and, where appropriate, to engage the public in understanding relevant technical issues.

2006 has provided several examples of the IET's direct impact on UK Government policy formulation. Information from the IET's briefing on nuclear waste was used by John Robertson MP in opening the Energy Review debate in the House of Commons, and by Lord Jenkin in the House of Lords debate on nuclear power and the energy review. The Institution's input in this important area was significantly aided by the IET's own public interest consultation event which attracted 120 delegates.

In evidence to the House of Commons Science and Technology Select Committee Inquiry into scientific advice, risk and evidence, the Chief Scientific Advisor to the Department of Transport commented specifically on the IET's contribution to the Foresight Intelligent Infrastructure Project.

The formation of the combined Institution provided an opportunity to showcase the IET to key stakeholders and this included a Parliamentary launch and subsequent Early Day Motion welcoming the formation of the IET and its contribution to society. Partly as a result of the many government briefings and technical submissions the IET was also cited in parliamentary debates and inquiries on energy, identity cards and skills.

The biennial Position Statement on the possible biological and health effects of low level EMF and radiation attributable to power lines, mobile phones and associated base stations was published. The Position Statement is based on rigorous review of 1,500 papers each year and the IET provided evidence from this to the Parliamentary Commission on Childhood Leukaemia and EMF.

The Institution also contributed to consultations on Government IT Strategy, occupational health and safety, mobile communication services on aircraft, science and innovation, education and intellectual property among its 30 policy submissions (2005: 31).

Seeking an opportunity to shape public debate, a skills survey was undertaken for the first time among the IET's Business Partners to gain insight into the practical experiences of employers. The Financial Times covered the output of the survey in a front page story and supporting article, including reference to the Power Academy initiative to provide support and financial help to electrical engineering students. The results of the survey were quoted by Ashok Kumar MP in a Westminster Hall debate, and had further exposure in both the Lords and Commons.

A new event entitled 2020 Vision brought 400 students and teachers to Savoy Place to hear a range of leading engineers and technologists speak, supported by filmed interviews with young people and engineers from around the world. As well as an educational experience for the students involved, this also attracted national media coverage, including BBC Online, the Guardian and the Independent.

### *Knowledge Sharing Among Engineers*

IET objectives reflect the value of engaging professionals in greater knowledge sharing, through both increasing attendance at technical events and greater use of web-based information services. By the end of the year, integration of knowledge-sharing activities had been achieved although the complexity of migrating from heritage websites into a shared [www.theiet.org](http://www.theiet.org) site proved challenging and slowed web user growth marginally below the 25% target. Despite this, new functionality included the first interdisciplinary online search portal in Intelligent Transport Systems, which provides greatly enhanced web searching for engineering and technology professionals based on peer-review of content. After positive feedback from users, the portal is now in the process of being developed for all IET industry sectors.

TPN event attendance reached 12,417, exceeding target and the prior year figure of approximately 11,500 (excluding the Conference and Exhibition on Electrical Distribution - CIRED - hosted by the IET every 4 years). The 2006 programme has included delivery of significant events in continental

Europe and in Asia in co-operation with Local Networks. Two events in China have demonstrated the level of interest in contributing to events, with almost 1,700 papers submitted for consideration and over 550 attendees in total.

New topic areas have included the IET's first conference on Systems Safety with over 200 delegates. The first Power Week also successfully demonstrated the benefits of bringing together a number of more specialist seminars to provide greater interaction and learning opportunities for attendees.

Two successful events on Visual Information Engineering and Innovation in IT were run in India and attracted 125 and 370 participants respectively. We also ran a series of events on Built Environment Technologies in Malaysia, Hong Kong and Shanghai, which engaged a total of 400 delegates.

Activity in the IT and Communications spaces has also increased with the adoption of the Network Interoperability Consultative Committee annual event with attendance of 100. The IET's partnership with the International Telecoms Synchronisation Forum continues to bear fruit, with their annual conference in Prague attended by 130. Meanwhile collaboration with the Fabless Semiconductor Association (FSA) has seen growth of the Executive Forum and Expo to around 200 and the IT Breakfast Series has regularly seen over 60 invited guests discuss key issues within the sector.

The Institutions web-based multimedia service, IET.tv, has continued to expand with 661 new presentations added during 2006, and a 17% increase in the number of content views. A Research Channel has been launched in collaboration with 10 UK universities and Engineering and Physical Sciences Research Council (EPSRC) to deliver live research seminars from within participating universities around the globe.

The Technology and Innovation Awards have been embedded as a highlight within the Institutional calendar alongside other high profile awards to recognise excellence including the Young Woman Engineer of the Year Award – which this year received a record number of nominations - and the Dyson Young Women Engineering Apprentice of the Year Award.

The Prestige Lecture series has also continued to go from strength to strength, attracting over 2,400 participants throughout the year. In 2006 we also successfully developed a model for delivering prestige lectures around the UK using local resources for marketing and organisation – this resulted in 5 additional prestige lectures being held outside of London.

Looking forward, the IET has objectives to grow event activity over the medium-term, including increasing international appeal. In light of changing needs and the increasingly global nature of the SET community the Institution has also targeted a doubling of the numbers using its web services over a 3-year period.

### ***Research Publications***

Two new titles, *Information Security* and *Intelligent Transport Systems* were added to the portfolio as well as the online-only journal *Micro & Nano Letters*. The primary journal backfile digitisation project resulted in the *Electronics Letters* and *IEE Proceedings* backfiles being made available on the IET Digital Library in 2006. This project will help to advance scholarship in electrical science and technology at the same time as generating strong marginal income.

The latest available Impact Factors published by Thomson ISI provide a measure of quality for the IET's journal articles. There was an increase in scores for 11 IET titles over the prior year, underlining the international recognition of the Institution's academic journals content.

While most former IEE products and services have been re-branded to reflect the new Institution, the IEE Proceedings brand and logo was retained for the remainder of 2006 with the journals being re-launched with new re-branded titles in 2007.

A strategic review of Inspec and its competitive position was undertaken and presented to the Board of Trustees. Strategies have been confirmed that will enable Inspec to compete and develop in the competitive industry of information delivery and management. Recent corporate subscribers to Inspec continue to demonstrate potential new business as well as new site licences from major

companies like Boeing. Seven new Inspec customers have been won in the Asia/Pacific region: 4 of them from China and the remainder from India, NZ and Taiwan. The Institution also secured a multi-year license arrangement with the main Russian Academic Consortia.

The Inspec content development strategy has continued through 2006 with the strengthening of Mechanical and Production Engineering and an overall total of over 530,000 articles added in the year (2005: 468,000). During the first 6 months of 2006 an overall customer satisfaction level of 84% was gained from the Inspec customer survey (2004 = 80% and 2005 = 88%).

The IET/IEEE Electronic Library (IEL) collaboration continues to provide a significant channel to disseminate primary journals, magazines and conference information for both organisations in the face of significant commercial competition. The IET's royalty income from this mutually beneficial joint-venture has continued to increase, despite adverse movements in the US\$ : £ exchange rate.

In common with the Institution's practitioner publications, many IET research publications are sold at prevailing commercial rates and generate a surplus against the costs of production and distribution. These surpluses are used to fund other areas of IET activity which may not be self-sustaining; notably the IET's work to enthuse and educate young people about science, engineering and technology.

Library Services have continued to increase the breadth and availability of digital content with over 500 e-books and almost 15,000 e-journals now available to members online. These e-books and e-journals received 27,500 user sessions in 2006 (2005: 25,000). The IET Library and Archives has been awarded Designation Status by the Museums, Libraries and Archives Council in recognition of the outstanding national and international importance of its collections.

Recognising the value of its research publications, the IET will continue to grow its portfolio of journals, improve the currency of its content and refresh the capability of underlying systems.

### ***Practitioner Publications***

With the combination of the IEE and the IIE the two flagship magazines, *IEE Review* and *Engineering Technology*, were replaced by the new IET magazine *Engineering & Technology* based on research of member preferences. Research also confirmed the scoping of sector-based magazines which were extended to former IIE members following formation of the IET.

Linkages with web content were increased with the editorial team undertaking the provision of the online daily news, using relevant Reuters and Press Association sources. The editorial team also developed and started filming a schedule of programmes for IET.tv and has produced the Institution's first podcast and blog.

Improvements to the delivery of magazines to Hong Kong, Malaysia, Australia and Canada have been made at little additional cost, maximizing opportunities created by changes in the postage system. The print contract was also successfully renegotiated to reflect an increase of only 3% over the past 3 years. The publishing group undertook editorial responsibility for *Student & Graduate* magazine and its closer integration with the online community for students.

Progress on the next edition of the *IEE Wiring Regulations* BS 7671 has been good and the draft of the 17<sup>th</sup> edition of the Wiring Regulations was circulated for the Public Consultation stage in December. The new edition will be published in 2008. Committee JPEL/18 agreed the new edition of the *Ships Regulations*, the first new document to be produced since 1994.

New products in 2006 included a co-publishing arrangement for three titles with the City & Guilds, a new *Guidance Note on Earthing and Bonding* and a new edition of the book on *Electrical Maintenance*. Furthermore, the IET agreed to distribute 10 ICT titles published by the British Standards Institute.

The IET has an objective to review the format and delivery mechanism of its magazines to reflect multi-disciplinary needs and support global access and changing reader habits.

### *Qualification and Assurance*

Qualification targets for CEng/IEng in 2006 were not achieved (1,800 compared to over 2,800 in 2005), partly as a result of the surge of applications received from the 2004 CEng Now! Campaign which were largely processed during 2005. Of particular concern however has been the limited number of applications and registrations for both IEng and EngTech.

A benefit of combining the IEE and IIE has been the wider experience of assessment across the registration categories and the exchange of ideas and information has enriched the quality of processes. The newly-formed Volunteer Support Unit has focused on communications and training for over 2,000 active volunteers engaged in the qualifications process, including two conferences and further workshops for Professional Registration Advisors.

Significant improvements have been made in processing times as decision-making has switched to a more flexible electronic method. Average processing times for the administration of CEng have fallen below 30 weeks from a benchmark of 44 weeks in 2005. The 2006 EC<sup>UK</sup> Annual Audit Review was also successful, with all licences and Special Approved Routes being renewed and transferred to the IET. The 2007 Review will consider the re-issue of the licences for the full five years.

Three working visits were made to Beijing to assess the feasibility of registration activity and start the process of mutual recognition. The opportunity has also been taken to investigate the joint development of Computer Based Assessment and assess the need for specific, jointly-developed IPD/CPD courses, both technical and 'language of context'.

Registration and Fellowship agreements were signed with IBM and 22 CEng and 20 Fellows were admitted under the agreements. A visit was also made to BP (Azerbaijan) to investigate an innovative way of registering staff passing through its localized training scheme. At the same time reciprocal visits were made with Qafqaz University as the first steps in accrediting their degrees.

27 visits were made to universities and colleges in the UK with 5 being arranged via the Engineering Accreditation Board and a further 6 being joint visits. The move into approval of MSc programmes has been welcomed with 34 approved in 2006. New processes were implemented to improve the quality and efficiency of visits and new workshops for university staff preparing for accreditation was particularly well-received.

23 Professional Development Scheme accreditation visits to employers were carried out by year end. The implementation of 'decisions on the day' has proved popular with both accreditors and employer organisations.

A pilot assessment was carried out with REME (Armed Forces) to match job roles to the EC<sup>UK</sup> qualification framework (UK-SPEC) and streamline the registration process. The former IIE scheme to map EngTech qualifications to UK-SPEC and approve training provider schemes has now led to over 50 Advanced Apprenticeship scheme approvals. The scheme is part-funded by ETB and DTI as part of a programme to promote higher levels of EngTech registration.

IIE's strong relationships with Sector Skills Councils, especially SEMTA, were maintained, providing the opportunity for IET to advise on the development of future qualifications.

A web-enabled skills assessment and career development system called Career Manager was launched and includes workflows to enable submission of Registration and Professional Development forms and applications for registration within all three UK-SPEC competence frameworks, as well as SFIA and three (previously under-utilised) IET owned sector-specific frameworks. The individual system supports the provision of 'portable' professional development that remains relevant regardless of the individual's career stage or aspirations.

Significant progress towards delivering a national IT professional qualification was made in April when the Trustees of the IET and the BCS agreed a set of guiding principles for the formation of an IT Registration Authority, paving the way for IET and other institutions to award the CITP



qualification. The development of an ICT Technician qualification was also progressed within the remit of EC<sup>UK</sup> and a draft standard prepared.

The Institution has an objective to grow the numbers qualifying over the medium term, with a particular emphasis on encouraging greater registration for EngTech.

### ***Enthusiasing and Educating Young People***

The GCSE Electronics & Communications Technology (ECT)/Engineering project was completed in 2006 and a high quality final report published with valuable proposals for future developments. The report evidenced the need for ongoing CPD support for those teaching GCSE and Diploma level engineering courses.

The Specialist Schools Trust Project was completed in May and identified ways to develop Engineering courses in schools and support teachers in delivering positive experiences of ECT. Suggestions for future development include development of Electronic Engineering projects for Key Stages 2 and 3 to emphasise practical applications of maths and science as well as production of DVD Case Studies and a review of software used in projects.

The Electronics in Schools Strategy provides teacher training through 2 modular programmes: *Starting out in Electronics* and *Taking Electronics Further*. These courses have been consistently oversubscribed and DfES and TDA funding for 2006/2007 was confirmed.

The 2006 Faraday Lecture, *Emission Impossible*, attracted increased audiences of 28% in the UK and 38% for the Asia Tour (Hong Kong, Singapore & Malaysia). The format of the Lecture was reviewed for opportunities to increase the IET's impact in the future through greater use of web technology. The successful 4x4 Challenge in Schools, launched in 2005 with Denford and Land Rover, was repeated in 2006. This challenging initiative is now being used as curriculum project material in schools.

Although originally intended only for distribution via schools, *Flipside* magazine was launched onto the newsstand, including Tesco and WH Smith in March. Sales have been slow and highlighted the level of external promotional activity required to approach a commercial model via retail channels. The future focus for Flipside will therefore be to support the in-school educational programme.

A total of £255,000 was dispersed in undergraduate and postgraduate scholarships, travel awards and prizes (2005: £194,000), including growing take-up of the FUSE (Funding Undergraduates to Study Engineering) scholarships. These are to assist high ability students who would not otherwise be in a position to undertake higher education on an IET accredited degree course.

Development in 2007 will focus on re-engineering the Faraday activity to achieve higher levels of engagement and activity within schools.

### ***Membership Contribution***

The combination of IIE and IEE in forming the IET came to fruition in March 2006, with integration work providing common services to the combined community of over 150,000 members. Integration focused on retaining and sharing the best elements of each founding Institution, while releasing administrative resources to further develop IET activities.

A particular highlight has been the Active Member Weekend, which brought together volunteers from both heritage Institutions and those from the Local and Technical Networks for the first time. With 160 attendees, participation was high and laid the foundations for more effective ways of working among the active member and staff team.

The technician designation TMIET was launched in March as part of the IET's commitment to being inclusive. Nearly 700, mostly new, members achieved this designation in 2006.

The variety of events organised by Local Networks was considerable, with in excess of 900 meetings ranging from the very technical to those of wider public interest. The IET Scotland Christmas Lecture

for example was extended this year to include Edinburgh, Glasgow, Perth and Inverness with around 1,500 young people given an absorbing insight into the history and techniques of computer animation.

Membership across the combined Institution reached 154,700 at the end of 2006. Increased scale provides additional income, but more importantly a larger network of individuals engaged in professional development. As part of the strategy to engage the IET in the global network of knowledge, an office was opened in Bangalore, India to support the network of respected members already active in this region. Growth in our activity in India and China are anticipated to increase the flow of knowledge around the world, and includes closer collaboration between national institutions.

The Trustees greatly value the financial and time contribution made by members recognising that IET is dependent on the efforts of thousands of unpaid volunteers who give their time and expertise to boards and committees, providing governance and generating events and professional development activities as well as involvement in the qualification and publishing processes. A working party has been active during the year to review the Charter & Byelaws and provide output in 2007.

The Institution awarded the Faraday Medal, its highest honour, to Professor John McCanny of Queen's University Belfast, in recognition of his pioneering advancements in the design of silicon integrated circuits for digital signal processing. The Institution also elected Professor Mike Sterling, Vice-Chancellor of the University of Birmingham, as Honorary Fellow in recognition of his contributions to engineering and leadership in the higher education sector.

### **Plans for Future Periods**

The IET's Corporate Plan anticipates continued growth in the positive impact delivered by the combined organisation, through greater levels of engagement in knowledge sharing activities particularly outside the UK. This is expected to be reflected by higher levels of engagement with published content, physical events and membership of the Institution. Initiatives to achieve this include investment in restructuring the web site and deploying further internet-based services for publishing, schools and the wider community of engineers and technologists.

### **Financial Review**

The Statement of Financial Activities on page 17 has been amended to reflect merger of the IIE and IEE including the restatement of prior year figures under Financial Reporting Standard 6 (FRS 6) "Acquisitions and Mergers". The activities undertaken in the year were carried out within the framework of budgetary control approved by the Trustees.

£48.5m of income was generated during the year, (2005: £49.2m) with a reduction in income from Practitioner Publications following the introduction of Part P at the beginning of 2005, together with reduced event income in the absence of two major international events in 2005 which are not hosted annually by IET. Modest growth however was achieved in trading, advertising and member subscription income. The main sources of income in the year were:

<i>Income Source</i>	<i>£m</i>	<i>%</i>
Trading Companies	6.9	14
Investment and Other Income	2.4	5
Incoming Resources from Charitable Activities:		
Research publications	18.9	39
Membership contribution	10.4	22
Practitioner publications	5.5	11
Knowledge Sharing among Engineers	4.1	8
Other	0.3	1
<b>TOTAL</b>	<u>48.5</u>	<u>100</u>

All the incoming resources of the charity alone have been deployed on charitable activities as shown in Note 22. The trading companies contributed a net £3.4m. The IET's reserves grew by £8.9m, reflecting an increase in the value of our investments of £6.5m and the inclusion of a £3.2m actuarial gain in complying with FRS17. Additional activities were delivered in 2006 and further new activities have been identified for 2007 to further grow charitable activities. The main areas of expenditure in the year were as follows:

	<i>£m</i>	<i>%</i>
<b><i>Resources Expended</i></b>		
Research Publications	15.0	35
Knowledge Sharing among Engineers	9.5	22
Practitioner Publications	7.1	16
Qualification and Assurance	2.6	6
Membership Contribution	5.8	13
Enthusing and Educating Young People	1.6	4
Public Policy and Awareness	1.6	4
Total Expenditure on Charitable Activities	43.2	100
Trading activities and Investment Management Fees	3.5	
Governance	1.0	
Merger costs	1.6	
Total Resources Expended	49.3	

The Balance Sheet total on Page 18 has increased in the year by £9m. The more significant movements are:

- Investments, which have increased in value by £2m. £5m cash was transferred from the investment managers in the year and realised and unrealised gains totalled over £6m.
- Adjustment has been made in accordance with FRS17 to recognise movements on the assets and liabilities of the IEE and IIE defined benefit pension schemes. There was an actuarial gain of more than £3m during the year on the two defined benefit pension schemes.
- Additional contributions were made to the IEE pension scheme during the year of more than £8m, which impacted both cash and the pension scheme liability.

### ***Trading Activities***

The net contribution to the IET of trading activity undertaken to raise funds for its charitable purposes reduced to £3.4m (2005: £3.8m). There was an increase in IEE Conventions Ltd's share of the profits of International Broadcasting Convention Partnership, in which the IET has a 34% share. However, increased costs in the rental of surplus IET accommodation business more than offset the improvement in IEE Conventions Limited. These activities were conducted through the IET's trading subsidiary companies.

### **Reserves Policy**

It is the policy of the IET to establish designated funds for specific purposes as appropriate, including the replacement and maintenance of the IET's buildings & facilities, developing existing activities, and to fund identified new initiatives. The funds and their presentation in the Financial Statements have been reviewed during the year and the purposes for which they are now held is described in note 18.

The balance of unrestricted funds represents the General Funds of £67m (2005: £76m). These funds which reduced by £9m during the year are funds which, at the approval of the trustees, may be utilised to fund further projects in support of the IET's charitable objectives.

In reviewing the level of general funds the Trustees believe that a number of factors should be taken into account for the continuing financial health of the IET and in meeting its future commitments, development aims and in managing its risks. The General Funds have been segmented to meet these requirements and are described in note 18 to these accounts. The IET faces a number of significant risks to the sustainability of its activities, and has identified many opportunities to increase its impact in the future which require net expenditure of funds. The factors generating the increase in total funds reflect capital gains and the accounting adjustments necessary under FRS17 which cannot be relied upon for the IET's ongoing charitable activities. The Trustees are satisfied that the level of the segmented sub-reserves of the general reserve are appropriate for the organization at the present time and continue to monitor opportunities to deploy the General Reserve over the medium term. The level of reserves and the purpose of the designated funds will continue to be reviewed each year.

### **Investment Policy**

The risk requirement is managed at an overall level by diversifying the investment portfolio between two managers, each with different investment styles. The risk is managed further at the individual manager level by agreeing the asset allocation each quarter. Maximum ranges within any quarter for these allocations are not to vary without prior agreement and the controls imposed by the investment house to manage its business risk exposure are advised and monitored.

The IEE's investment portfolio is managed by Fidelity Investment Services and Barclays Global Investors in a ratio of approximately 2:3. Fidelity have been set an active Equity brief and Barclays have a balanced passive brief which includes all IEE fixed interest holdings. From September 2003 the Total Fund has been measured relative to a tailored benchmark. Fidelity and Barclays also have tailored benchmarks agreed with the investment managers, the Total Fund benchmark being a weighted average of the two individual managers' benchmarks. The managers are not limited for investment return purposes, e.g. ethical or income constraint, in any way other than to comply with charity and tax legislation.

The return target for the active manager is to achieve +1.5% from equity investments above the agreed asset class over rolling 3 year periods. The index tracking manager is to track the relevant asset classes at 0.1% tolerance per annum. The target for the combined portfolio is to outperform the benchmark by between 0.5% and 1.0% per annum measured over 3-year periods. The performances of these managers are checked independently by the WM Company each quarter and performance against the 3-year rolling benchmark. Performance of the managers against these rolling benchmarks is currently considered satisfactory.

## **Reference & Administrative Information**

The Institution of Engineering and Technology (IET) is registered with the Charity Commission under charity number 211014.

### ***Principal Office***

Savoy Place, London WC2R OBL, UK

### ***Trustees***

Members of the Board of Trustees of the continuing IET entity at the date the report was approved:

Mr E N Baines	Mr J N Loughhead
Cdre B P S Brooks	Professor M Petrou (appointed 30 September 2006)
Mrs J M Brownsword	Mr C H Porter (appointed 30 September 2006)
Dr N J Burton	Mr G G M Robb (appointed 31 March 2006)
Mr C W Dennay (appointed 31 March 2006)	Sir Robin Saxby, President
Mr C M Earnshaw	Professor C M Snowden (appointed 30 September 2006)
Professor D M Howard	Mr I Sturrock (appointed 31 March 2006)
Mr G L Izienicki (appointed 31 March 2006)	Professor W T Webb
Mr A G O'Neill (appointed 31 March 2006)	

Other Trustees who served the IET entity during the period of the report:

Sir John Chisholm (retired 30 September 2006)	The Rt Hon Lord Trefgarne (appointed 31 March 2006, retired 30 September 2006)
Mr B Dobson (appointed 31 March 2006, retired 30 September 2006)	Mr A J Watts (retired 31 March 2006)
Professor A Hopper (retired 30 September 2006)	

In addition, a significant number of individuals served as Trustees to the IIE prior to the transfer into the IET entity. These Trustees are listed in the Report and Accounts of the IIE for the year ended 31 March 2006, copies of which can be obtained by writing to the Chief Executive and Secretary at Savoy Place.

### ***Chief Executive***

Mr R McGill

### ***Finance Director***

Mr E Almond

### ***Auditors***

Horwath Clark Whitehill LLP, St Bride's House, 10 Salisbury Square, London EC4Y 8EH

### ***Bankers***

Barclays Bank Plc, 54 Lombard Street, London EC3V 9EX

### ***Solicitors***

Bristows, 3 Lincoln's Inn Fields, London WC2A 3AA

### ***Investment Managers***

Barclays Global Investors Limited, 54 Lombard Street, London EC3P 3AH  
Fidelity Institutional Asset Management, 25 Cannon Street, London EC4M 5TA

### ***Investment Performance Monitoring***

The WM Company, World Markets House, Crew Toll, Edinburgh EH4 2PY

### ***Actuaries***

Hymans Robertson, Finsbury Tower, 103-105 Bunhill Row, London EC1Y 8LZ

## Structure, Governance and Management

The IET was founded in 1871 and incorporated by Royal Charter in 1921. It is governed by its Royal Charter and Bye-laws. The last amendment to these documents was made on 21 September 2005.

The Board of Trustees comprises the charity trustees of the IET. The Members of the Board are the President, two Deputy Presidents, six Vice Presidents and six Ordinary Members. The Deputy Presidents, Vice Presidents and Ordinary Members are elected directly by the IET membership as a whole. The President and Honorary Treasurer are appointed by the Board of Trustees. Trustees are required to retire by rotation after a maximum of 3 years in post.

A Nominations Committee makes recommendations for appointments to the Board of Trustees and reporting Boards not provided for by other mechanisms. The Nominations Committee also makes additional recommendations for the appointment of Ordinary Members to the Board of Trustees as required, taking into consideration the required skill-set for such appointments agreed with the Board of Trustees.

All newly appointed Trustees are provided with an Induction Pack, including relevant Charity Commission publications, which outlines the responsibilities and role of a Trustee and provides key information about the organisation and its management. Trustees are asked to attend an induction seminar delivered by an external expert and have access to the services of the Trustees Office to provide information and support as required.

### *Organisational Structure and Decision-making*

The Trustees meet regularly throughout the year to conduct the business of the IET in accordance with the Charter and Bye-laws and from time to time hold meetings or part thereof, at which Trustees only are present.

The Trustees have approved and put in place formal Delegations of Authority, which are accessible to all staff within the IET. The Royal Charter and Bye-Laws require certain decisions to be taken by the IET in General Meeting or Special General Meeting. Within these constraints it is the policy of the Board of Trustees that authority shall be delegated to the greatest extent compatible with the Trustees' overall direction and control of the IET and to the point in the IET where it can be exercised most effectively. The Trustees retain responsibility for all acts taken under these delegated responsibilities.

An annual business planning cycle is in place resulting in the production of a rolling five-year Corporate Plan. The Trustees meet specifically outside of routine Board meetings to review key strategies and organizational objectives, as well as to review and approve the output of the planning process. The Trustees monitor progress on a regular basis against strategic objectives and budgets set out in the Corporate Plan.

The Trustees have established the following structure of Boards and Committees from within the membership to monitor and control key areas of the IET:

The Audit Committee ensures a sound system of internal controls, risk management and accounting policies are maintained in accordance with corporate governance requirements. The Audit Committee liaises directly with the external auditors including during the planning of the annual audit. Areas of concern identified by the Trustees are discussed with the external auditors and inform the audit plans. Regular reports are received from the Internal Audit Manager with whom the Committee agrees a rolling programme of internal audits. Independent external auditors may also be used to perform audits of certain high income generating activities, such as on-line royalty income, and joint ventures such as the IBC Partnership.

The Finance and Investment Committee ensures the investments of the IET are managed in accordance with the agreed policy and that the policy is consistent with legislation and good practice. It also monitors the performance of both investment portfolios and advisors.

The Nominations Committee has responsibility for recommending those appointments to the Board of Trustees and reporting Boards as already described.

The Remuneration Committee recommends for approval total staff salary budgets, employment policy and the specific contracts and remuneration of the CEO and key staff. It is also responsible for approving any remuneration paid to Trustees for services to the IET (see note 14).

Four Boards have also been established to keep under review and guide the operational activities of the IET in accordance with its charitable objectives. These are the Technical & Professional Services Board, the Membership & Regions Board, the Publications Board and the Qualifications Board.

### ***Related Parties***

The IET owns four active incorporated subsidiaries, the activities and financial contribution to the IET are described in Note 4. These companies operate on a commercial basis, principally in the areas of room lettings, publishing and technical conference and exhibition management services.

The IET works in cooperation with Learned Societies, employers, educators and other bodies within the engineering and technology sector and in close partnership with the EC<sup>UK</sup> and the Engineering & Technology Board. Cooperation includes the development of common standards, shared products, activities and promotional materials.

### ***Risk Management***

In addition to the Audit Committee's oversight of internal controls noted above, the Trustees have also implemented a risk management strategy which includes the maintenance and regular review by Trustees and reporting Boards of a corporate risk register. The register documents mitigation strategies adopted by the IET in relation to these risks.

Risk awareness and management is also embedded within the IET's operations through the activities of the Internal Auditor, planning and project management processes, as well as the communication of ethical values, discipline standards and regular employee performance appraisal.

Through the risk management processes established for the IET, the Trustees are satisfied that the major risks identified by the Trustees have been reviewed and systems or procedures have been established to manage those risks. It is recognized that systems can provide reasonable, but not absolute assurances that major risks have been adequately managed.

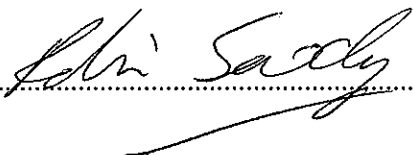
### Statement of Trustees' Responsibilities

Charity law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity at the year end and of its incoming resources and expenditure during that year. In preparing those financial statements, the Trustees are required to;

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable & prudent
- ensure applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements; and
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the IET and enable them to ensure that the financial statements comply with the Charities Act 1993. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Trustees on 5 March 2007  
and signed on their behalf by:

  
..... Sir Robin Saxby, President



## Independent Auditors' Report to the Trustees of the Institution of Engineering and Technology

We have audited the financial statements of the Institution of Engineering and Technology for the year ended 31 December 2006 which comprise the Consolidated Statement of Financial Activities, the Consolidated and IET Balance Sheets, the Consolidated Cash Flow Statement and the related Notes numbered 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charity trustees, as a body, in accordance with Regulation 7(2) of the Charities (Accounts and Reports) Regulations 2005 (SI 2005/572). Our audit work has been undertaken so that we might state to the charity 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 trustees, as a body, for our audit work, for this report, or for the opinion we have formed.

### Respective Responsibilities of Trustees and auditors

The Trustees' responsibilities for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Trustees' Responsibilities. We have been appointed as auditors' under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We read the other information contained in the Trustees' Report and Financial Statements and Annual Review 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 Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the IET, 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 as to whether 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the IET and the Group as at 31 December 2006 and of the Group's incoming resources and application of resources for the year then ended; and
- have been properly prepared in accordance with the Charities Act 1993.



**Horwath Clark Whitehill LLP**  
Chartered Accountants and Registered Auditors  
5 March 2007

St Bride's House  
10 Salisbury Square  
London EC4A 3LN

**Consolidated Statement of Financial Activities  
for the year ended 31 December 2006**

	Unrestricted Funds £000	Restricted Funds £000	Total Funds 2006 £000	Total Funds 2005 £000
<b>INCOMING RESOURCES</b>				
<b>Incoming resources from generated funds:</b>				
<b>Voluntary Income</b>				
Donations	-	2	2	-
Legacies	-	10	10	113
<b>Activities for generating funds</b>				
Trading Companies	4 6,847	-	6,847	6,536
<b>Investment and Other Income</b>	3 2,343	83	2,426	2,139
<b>Incoming resources from charitable activities:</b>				
Public Policy and Awareness	94	-	94	117
Knowledge Sharing among Engineers	4,124	-	4,124	5,019
Research Publications	18,875	-	18,875	18,188
Practitioner Publications	5,453	-	5,453	6,631
Qualification and Assurance	233	-	233	388
Enthusing and Educating Young People	20	-	20	38
Membership Contribution	10,431	-	10,431	10,014
<b>Other incoming resources</b>				
Gain on disposal of fixed assets	-	-	-	18
<b>Total Incoming Resources</b>	1(e) <u>48,420</u>	<u>95</u>	<u>48,515</u>	<u>49,201</u>
<b>RESOURCES EXPENDED</b>				
<b>Costs of generating funds:</b>				
Trading Companies	4 3,411	-	3,411	2,785
Investment Management Fees	147	-	147	141
	<u>3,558</u>	<u>-</u>	<u>3,558</u>	<u>2,926</u>
<b>Net incoming resources available for charitable application</b>	<u>44,862</u>	<u>95</u>	<u>44,957</u>	<u>46,275</u>
<b>Charitable Activities</b>				
Public Policy and Awareness	1,618	-	1,618	1,461
Knowledge Sharing among Engineers	9,533	-	9,533	9,303
Research Publications	15,031	-	15,031	15,281
Practitioner Publications	7,090	-	7,090	6,502
Qualification and Assurance	2,557	-	2,557	2,704
Enthusing and Educating Young People	1,386	255	1,641	1,577
Membership Contribution	5,741	-	5,741	5,014
	42,956	255	43,211	41,842
<b>Governance Costs</b>	1(f) 986	-	986	876
<b>Merger Costs</b>	1,585	-	1,585	100
<b>Total Resources Expended</b>	1(f), 6 <u>49,085</u>	<u>255</u>	<u>49,340</u>	<u>45,744</u>
<b>Net (Outgoing)/Incoming Resources before Transfers</b>	5 <b>(665)</b>	<b>(160)</b>	<b>(825)</b>	3,457
Transfers between Funds	18 28	(28)	-	-
<b>Net (Outgoing)/Incoming Resources before investment gains</b>	<u>(637)</u>	<u>(188)</u>	<u>(825)</u>	<u>3,457</u>
Investment Gains	15,18 6,122	420	6,542	16,802
Pension Scheme Actuarial Gain/(Loss) (FRS 17)	19 3,223	-	3,223	(1,737)
<b>NET MOVEMENT IN FUNDS</b>	8,708	232	8,940	18,522
Fund Balances at 1 January 2006	97,711	6,279	103,990	85,468
<b>Fund Balances at 31 December 2006</b>	17,18 <u>106,419</u>	<u>6,511</u>	<u>112,930</u>	<u>103,990</u>

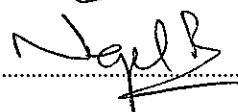
**Consolidated and IET Balance Sheets  
as at 31 December 2006**

		<b>GROUP</b>		<b>IET</b>	
		<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>FIXED ASSETS</b>					
Tangible Assets	9	14,724	15,232	14,716	15,212
Investments	15	105,640	103,330	105,640	103,331
		<u>120,364</u>	<u>118,562</u>	<u>120,356</u>	<u>118,543</u>
<b>CURRENT ASSETS</b>					
Stocks	10	287	423	287	384
Debtors	11	5,205	4,259	5,229	4,328
Payments in advance		1,298	890	1,268	876
Cash at bank and in hand		6,406	11,863	5,015	10,471
		<u>13,196</u>	<u>17,435</u>	<u>11,799</u>	<u>16,059</u>
<b>CURRENT LIABILITIES</b>					
Creditors	12	5,685	5,652	5,391	5,315
Amounts received in advance		8,029	8,935	7,128	8,083
		<u>13,714</u>	<u>14,587</u>	<u>12,519</u>	<u>13,398</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<b>(518)</b>	<b>2,848</b>	<b>(720)</b>	<b>2,661</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES EXCLUDING PENSION LIABILITY</b>					
		<u>119,846</u>	<u>121,410</u>	<u>119,636</u>	<u>121,204</u>
Pension Scheme Liability	19	(6,916)	(17,420)	(6,916)	(17,420)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u>112,930</u>	<u>103,990</u>	<u>112,720</u>	<u>103,784</u>
<b>FUNDS:</b>					
<b>Unrestricted Funds:</b>					
General Funds	18	67,275	76,006	67,275	76,006
Designated Funds	18	46,060	39,125	45,850	38,919
		<u>113,335</u>	<u>115,131</u>	<u>113,125</u>	<u>114,925</u>
<b>Restricted Funds</b>	18	<b>6,511</b>	<b>6,279</b>	<b>6,511</b>	<b>6,279</b>
<b>TOTAL FUNDS BEFORE PENSION LIABILITY</b>		<u>119,846</u>	<u>121,410</u>	<u>119,636</u>	<u>121,204</u>
Pension Scheme Funding Reserve	19	(6,916)	(17,420)	(6,916)	(17,420)
<b>TOTAL FUNDS INCLUDING DEFICIT ON PENSION SCHEME RESERVE</b>	18,19	<u>112,930</u>	<u>103,990</u>	<u>112,720</u>	<u>103,784</u>

The notes on pages 20 to 37 form part of these financial statements.

Approved by the Trustees on 5 March 2007  
and signed on their behalf by:

..... Sir Robin Saxby, President

..... Dr N J Burton, Honorary Treasurer

**Consolidated Cash Flow Statement  
for the year ended 31 December 2006**

	<i>Notes</i>	<b>2006</b> <b>£000</b>	2005 £000
<b>Net cash (outflow)/inflow from operating activities</b>	20	<u><b>(11,800)</b></u>	<u>3,044</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		<b>492</b>	730
Dividends received		<b>1,934</b>	1,409
Investment management fees		<b>(147)</b>	(141)
Rent received		<b>55</b>	198
		<u><b>2,334</b></u>	<u>2,196</u>
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		<b>(223)</b>	(557)
Sale of equipment		<b>-</b>	50
		<u><b>(223)</b></u>	<u>(507)</u>
<b>Management of liquid resources</b>			
Purchase of investments		<b>(29,689)</b>	(22,618)
Sale of investments		<b>34,272</b>	17,186
Increase in investment cash		<b>(351)</b>	(278)
Decrease in cash on term deposits		<b>6,000</b>	2,000
		<u><b>10,232</b></u>	<u>(3,710)</u>
<b>Increase in short term deposits and cash at bank and in hand</b>	21	<u><b>543</b></u>	<u>1,023</u>

\* Included as liquid resources are portfolios of investments held and managed on behalf of the IET by its Investment Advisers and term cash deposits of less than one year.

**Notes on the accounts  
for the year ended 31 December 2006**

**1 ACCOUNTING POLICIES**

**a) Accounting Basis**

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments and in accordance with applicable accounting standards and comply with the current Statement of Recommended Practice "Accounting and Reporting by Charities" (the Charities SORP) issued in March 2005 and with the Charities Act 1993.

**b) Basis of Consolidation**

The Group accounts incorporate the financial statements of the IET and its subsidiary companies for the year ended 31 December 2006.

The accounts include the financial statements of International and UK Local Networks for the year ended 30 September 2006.

The merger of The Institution of Electrical Engineers (IEE) and The Institution of Incorporated Engineers (IIE) on 31 March 2006 has been accounted for using the merger accounting principles set out in Financial Reporting Standard 6. As such, the financial information for both the current year ended 31 December 2006 and that for the prior year ended 31 December 2005 has been presented as if the IEE and the IIE had been merged throughout the whole of the current and prior periods.

**c) Depreciation**

Depreciation is provided on fixed assets so as to write them off over their estimated useful lives as follows:

<i>Category</i>	<i>Method</i>	<i>Rate/Life</i>
Furniture, fittings and equipment	Reducing balance	20%
Motor vehicles & computer equipment	Straight-line	4 years
London Crown leases	Straight-line	50 years
Michael Faraday House (Stevenage)	Straight-line	50 years
Scottish Engineering Centre (Glasgow)	Straight-line	50 years
Midlands Engineering Centre (Birmingham)	Straight-line	50 years

Depreciation of the Leasehold properties in London and Birmingham is, from 2003, on a straight-line basis over 50 years commencing 1 January 2003.

Depreciation of the Leasehold property held in the joint venture is also on a straight-line basis over the term of the lease. Computer equipment and fixtures & fittings are depreciated at a rate of 33% and 20% per annum respectively.

Freehold and long leasehold properties are capitalised at historic cost. From 1 January 2005, other assets costing less than £2,500 (2004 and prior £500), and the cost of computer software are written off in the year of purchase. The IET does not capitalise its collection of publications in the Library or archive material as a valuation is not readily available and there is no intention for resale.

**d) Stocks & Work-In-progress**

Stocks and work in progress are valued at the lower of cost and net realisable value, including a proportion of attributable overhead expenses where appropriate.

**e) Incoming Resources**

Income resources are accounted for on an accruals basis, except in the case of membership subscriptions and subscriptions for journals and electronic services which are dealt with on a cash received basis for the current year, with any receipt in respect of future years being shown as received in advance.

Royalties are also dealt with on a cash received basis, with accrual made for income not yet received, based on information provided by the licensees.

**f) Resources Expended**

The IET's Governance Costs include audit fees and administration costs. Charitable Expenditure includes direct costs and support costs. Administration and accommodation support costs have generally been allocated on a departmental staff cost and area occupied basis.

**g) Investments**

Investments are included in the balance sheet at their mid-market values at 31 December 2006 as notified by the Investment Managers.

Investment income is accounted for on an accrual basis, with account taken of the tax credit at the time of receipt of the net income.

**h) Foreign Currency Transactions**

Foreign currency transactions are converted at the rate ruling on the date of the transaction. Outstanding balances are translated into sterling at the rates ruling at the balance sheet date. Any exchange differences arising are taken to the revenue account.

**i) Leasing and Hire Purchase**

Rentals paid under operating leases are charged in the SOFA on a straight line basis over the lease term.

**j) Liabilities**

Liabilities are recognised when the IET has an obligation to make payment to a third party.

**k) Pension Costs**

Contributions to the IEE's and the IIE's defined benefit pension schemes are charged in the SOFA so as to spread the cost of pensions over employees working lives within the IET. Pension cost is assessed in accordance with the advice of qualified Actuaries. Actuarial gains and losses arising are recognised within the gains and losses categories of the SOFA under the heading "Pension Scheme Actuarial Gain/(Loss) (FRS 17)". The provisions of FRS 17 "Retirement Benefits" have been fully complied with and the relevant disclosures are made in note 19. Contributions to the defined contributions scheme are charged in the SOFA in the year they are made.

**2 MERGER OF THE IEE AND IIE**

The IIE transferred its net assets to the IEE on 31 March 2006. No consideration passed in connection with the merger. The book and fair value of the IIE net assets that were transferred to the IEE were as follows:

	Net assets Transferred	Fair value adjustment	Restated net assets at time of merger
	£000	£000	£000
<b>FIXED ASSETS</b>			
Tangible Assets	28		28
Investments	4,359	-	4,359
	<u>4,387</u>	<u>-</u>	<u>4,387</u>
<b>CURRENT ASSETS</b>			
Debtors	54	-	54
Payments in advance	18	-	18
Cash at bank and in hand	1,016	-	1,016
	<u>1,088</u>	<u>-</u>	<u>1,088</u>
<b>CURRENT LIABILITIES</b>			
Creditors	276	-	276
Amounts received in advance	801	-	801
	<u>1,077</u>	<u>-</u>	<u>1,077</u>
<b>NET CURRENT ASSETS</b>	11	-	11
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Pension Scheme Liability	-	(541)	(541)
<b>NET ASSETS</b>	<u>4,398</u>	<u>(541)</u>	<u>3,857</u>

An analysis of the Statement of Financial Affairs for the year ended 31 December 2006 is as follows:

	IEE £000	IIE pre merger £000	Combined £000
Total Incoming Resources	47,979	536	48,515
Total Resources Expended	<u>48,575</u>	<u>765</u>	<u>49,340</u>
<b>Net Incoming Resources before investment gains</b>	<b>(596)</b>	<b>(229)</b>	<b>(825)</b>
Investment Gains	6,324	218	6,542
Pension Scheme Actuarial Loss (FRS 17)	<u>3,223</u>	<u>-</u>	<u>3,223</u>
NET MOVEMENT IN FUNDS	8,951	(11)	8,940
Fund Balances at 1 January 2006	<u>100,121</u>	<u>3,869</u>	<u>103,990</u>
<b>Fund Balances at 31 December 2006</b>	<b><u>109,072</u></b>	<b><u>3,858</u></b>	<b><u>112,930</u></b>

The equivalent analysis for the year ended 31 December 2005 is as follows:

	IEE £000	IIE £000	Combined £000
Total Incoming Resources	47,125	2,076	49,201
Total Resources Expended	<u>43,766</u>	<u>1,978</u>	<u>45,744</u>
<b>Net Incoming Resources before investment gains</b>	<b>3,359</b>	<b>98</b>	<b>3,457</b>
Investment Gains	16,201	601	16,802
Pension Scheme Actuarial Loss (FRS 17)	<u>(1,599)</u>	<u>(138)</u>	<u>(1,737)</u>
NET MOVEMENT IN FUNDS	17,961	561	18,522
Fund Balances at 1 January 2005	<u>82,160</u>	<u>3,308</u>	<u>85,468</u>
<b>Fund Balances at 31 December 2005</b>	<b><u>100,121</u></b>	<b><u>3,869</u></b>	<b><u>103,990</u></b>

### 3 INVESTMENT AND OTHER INCOME

	<b>2006</b> <b>£000</b>	2005 £000
Income from investments	<b>1,934</b>	1,409
Interest received	<u><b>492</b></u>	<u>730</u>
	<b><u>2,426</u></b>	<u>2,139</u>

### 4 TRADING ACTIVITIES

The Group's financial statements incorporate those of the IET's wholly owned subsidiary companies, IET Services Limited, IEE Conventions Ltd, INSPEC Inc. and IEE Inc. All the companies are wholly-owned subsidiaries of the IET.

IET Services Limited (IETSL) is incorporated in the United Kingdom. It provides contract publishing, information, computer, conference and recruitment services, and rent of surplus IET accommodation and related services such as catering. The net profits from all these services are donated to the IET under the Gift Aid Scheme.

The net profits arising from additional services to members through the sale of members' scarves and ties, and other memorabilia provided by IETS are passed by means of Gift Aid to IET's Incorporated Benevolent Fund.

IEE Conventions Limited (IEECL) is incorporated in the United Kingdom. The principal activity of IEECL is the provision of conference and exhibition services. The accounts include the Company's 34% share of its joint venture in the International Broadcasting Convention Partnership.

The IET's charitable activities in the USA are conducted through US-registered subsidiary companies; INSPEC Inc and IEE Inc. Total expenditure of INSPEC Inc. included in the accounts was £553,663 (2005: £509,375) and of IEE Inc. £11,175 (2005: £30,595).

The profit and loss account of both IETSL and IEECL are set out below, and summary balance sheets in note 16.

	<b>IETSL</b>	<b>IEECL</b>	<b>Inter Group Trading</b>	<b>Total</b>	Total
	<b>2006</b>	<b>2006</b>	<b>2006</b>	<b>2006</b>	2005
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	£000
<b>Turnover</b>	2,942	3,905	-	<b>6,847</b>	6,536
Cost of Sales	<u>1,812</u>	<u>1,737</u>	<u>(1,057)</u>	<u><b>2,492</b></u>	<u>2,051</u>
<b>Gross Profit</b>	1,130	2,168	1,057	<b>4,355</b>	4,485
Distribution Costs	1	-	-	<b>1</b>	6
Administration expenses	<u>5</u>	<u>912</u>	<u>-</u>	<u><b>917</b></u>	<u>728</u>
<b>Net Operating Profit</b>	1,124	1,256	1,057	<b>3,437</b>	3,751
Less Gift Aid Payments:					
IET	(1,121)	(1,254)	-	<b>(2,375)</b>	(2,782)
Incorporated Benevolent Fund of the IET	<u>(1)</u>	<u>-</u>	<u>-</u>	<u><b>(1)</b></u>	<u>(4)</u>
<b>Profit / (Loss) on Ordinary Activities before Tax</b>	2	2	1,057	<b>1,061</b>	965
Tax on ordinary activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4)</u>
<b>Funds Retained by Subsidiary</b>	<u>2</u>	<u>2</u>	<u>-</u>	<u><b>4</b></u>	<u>4</u>
<b>Funds Retained by Charity</b>	<u>-</u>	<u>-</u>	<u>1,057</u>	<u><b>1,057</b></u>	<u>965</u>

None of the Directors of IETSL or IEECL receives any remuneration for their services.

## 5 NET INCOMING RESOURCES FOR THE YEAR

This is stated after charging:

	<b>2006</b>	2005
	<b>£000</b>	£000
Depreciation	<b>698</b>	877
Payments under operating leases:		
- Land and buildings rents	<b>238</b>	205
- Other	<b>163</b>	184
Auditors' remuneration:		
- Audit	<b>34</b>	41
- Other services	<b>13</b>	7
	<u><u><b>1,346</b></u></u>	<u><u>1,394</u></u>



## 6 ANALYSIS OF TOTAL RESOURCES EXPENDED

	Staff Costs	Other	Depreciation	Total	Total
	£000	£000	£000	2006	2005
				£000	£000
<b>Costs of generating funds:</b>					
Trading Companies	501	2,894	16	3,411	2,785
Investment Management Fees	-	147	-	147	141
	<u>501</u>	<u>3,041</u>	<u>16</u>	<u>3,558</u>	<u>2,926</u>
<b>Charitable Activities</b>					
Public Policy and Awareness	1,261	295	62	1,618	1,461
Knowledge Sharing Among Engineers	2,562	6,830	141	9,533	9,303
Research Publications	5,817	9,046	168	15,031	15,281
Practitioner Publications	1,994	5,004	92	7,090	6,502
Qualification and Assurance	1,517	1,003	37	2,557	2,704
Enthusing and Educating Young People	226	1,397	18	1,641	1,577
Membership Contribution	2,432	3,152	157	5,741	5,014
<b>Governance costs</b>	174	805	7	986	876
<b>Merger costs</b>	20	1,565	-	1,585	100
	<u>16,003</u>	<u>29,097</u>	<u>682</u>	<u>45,782</u>	<u>42,818</u>
<b>Total Resources Expended</b>	<u>16,504</u>	<u>32,138</u>	<u>698</u>	<u>49,340</u>	<u>45,744</u>

## 7 EMPLOYEES

Total employment costs of the Group and IET staff in the year were:

	2006	2005
	£000	£000
Payroll costs:		
Salaries and overtime	12,677	12,374
Social Security	1,208	1,161
Pension and other benefits	2,619	1,936
Total Group Employment Costs	<u>16,504</u>	<u>15,471</u>
Less :		
Cost of staff work on trading companies' activities	(501)	(63)
Employment Costs of the Institution	<u>16,003</u>	<u>15,408</u>

The average monthly number of full time equivalent staff employed by the IET in the year was 409 (2005: 401) and by the Group was 421 (2005: 408), made up as follows:

	2006	2005
	Number	Number
Public Policy and Awareness	22	21
Knowledge Sharing among Engineers	62	64
Research Publications	79	94
Practitioner Publications	42	27
Qualification and Assurance	17	16
Enthusing and Educating Young People	8	7
Membership Contribution	78	67
London & Regional Engineering Centres Meetings Facilities	30	27
Facilities, Finance, HR and IT	80	82
Governance and Legal Affairs	3	3
	<u>421</u>	<u>408</u>

No staff were employed by IET Services Limited or IEE Conventions Limited during the year.

The numbers of employees whose emoluments, excluding pension costs, exceeded £60,000 were within the following bands:

	<b>2006</b>	2005
	<b>Number</b>	Number
£60,000 - £69,999	<b>6</b>	2
£70,000 - £79,999	<b>3</b>	2
£80,000 - £89,999	-	2
£90,000 - £99,999	<b>1</b>	1
£100,000 - £109,999	<b>2</b>	2
£110,000 - £119,999	<b>1</b>	2
£130,000- £139,999	-	1
£140,000- £149,999	<b>1</b>	-
£160,000- £169,999	<b>1</b>	1
£240,000- £249,999	<b>1</b>	-
£250,000- £259,999	-	1

11 of the above employees were in the IET's defined benefit pension scheme (2005: 8) and 2 employees were in the defined contribution scheme (2005: 2). Pension payments in respect of the defined contribution scheme totalled £13,900 (2005: £14,111).

## 8 SUPPORT COSTS

	<b>2006</b>	2005
	<b>£000</b>	£000
Corporate	<b>642</b>	415
Offices, Library and Warehouse Facilities	<b>2,178</b>	2,308
Finance	<b>2,165</b>	1,687
Human Resources	<b>1,256</b>	1,107
IT	<b>3,181</b>	2,364
Property	<b>639</b>	1,118
London and Regional Engineering Centres Meeting Facilities	<b>2,863</b>	1,628
Direct Support Costs	<b>2,540</b>	2,238
Total Support Costs	<b><u>15,464</u></b>	<u>12,865</u>

### Basis for Support Costs Allocation

Support costs are allocated to charitable activities as follows:

- Corporate, Finance, Human Resources and Direct Support Costs on a staff cost basis
- Offices, Library and Warehouse Facilities on an area occupied basis
- IT direct allocation to projects and the number of employees
- Property direct allocation to projects
- London and Regional Engineering Centre Meeting Facilities on incoming resources.

**9 FIXED ASSETS - Group**

	IET and IEECL Buildings and Crown Leases £000	Michael Faraday House £000	Furniture and Equipment £000	Regional Centres £000	<b>Total £000</b>
<b>Cost:</b>					
At 1 January 2006	5,958	6,474	7,399	5,096	<b>24,927</b>
Transfer from IIE	171	-	150	-	<b>321</b>
Additions	-	-	223	-	<b>223</b>
Disposals	-	-	-	-	<b>-</b>
Assets no longer in use	-	-	(219)	-	<b>(219)</b>
At 31 December 2006	<u>6,129</u>	<u>6,474</u>	<u>7,553</u>	<u>5,096</u>	<u><b>25,252</b></u>
<b>Accumulated Depreciation:</b>					
At 1 January 2006	1,035	1,828	6,189	671	<b>9,723</b>
Transfer from IIE	171	-	122	-	<b>293</b>
Depreciation for the year	112	109	378	99	<b>698</b>
Disposals	-	-	-	-	<b>-</b>
Assets no longer in use	-	-	(186)	-	<b>(186)</b>
At 31 December 2006	<u>1,318</u>	<u>1,937</u>	<u>6,503</u>	<u>770</u>	<u><b>10,528</b></u>
<b>Net book value:</b>					
At 31 December 2006	<u><b>4,811</b></u>	<u><b>4,537</b></u>	<u><b>1,050</b></u>	<u><b>4,326</b></u>	<u><b>14,724</b></u>
At 31 December 2005	<u><b>4,923</b></u>	<u><b>4,646</b></u>	<u><b>1,210</b></u>	<u><b>4,425</b></u>	<u><b>15,204</b></u>

**IET**

	IET and IEECL Buildings and Crown Leases £000	Michael Faraday House £000	Furniture and Equipment £000	Regional Centres £000	<b>Total £000</b>
<b>Cost:</b>					
At 1 January 2006	5,926	6,474	7,337	5,096	<b>24,833</b>
Transfer from IIE	171	-	150	-	<b>321</b>
Additions	-	-	219	-	<b>219</b>
Disposals	-	-	-	-	<b>-</b>
Assets no longer in use	-	-	(219)	-	<b>(219)</b>
At 31 December 2006	<u>6,097</u>	<u>6,474</u>	<u>7,487</u>	<u>5,096</u>	<u><b>25,154</b></u>
<b>Accumulated Depreciation:</b>					
At 1 January 2006	1,011	1,828	6,139	671	<b>9,649</b>
Transfer from IIE	171	-	122	-	<b>293</b>
Depreciation for the year	104	109	370	99	<b>682</b>
Disposals	-	-	-	-	<b>-</b>
Assets no longer in use	-	-	(186)	-	<b>(186)</b>
At 31 December 2006	<u>1,286</u>	<u>1,937</u>	<u>6,445</u>	<u>770</u>	<u><b>10,438</b></u>
<b>Net book value:</b>					
At 31 December 2006	<u><b>4,811</b></u>	<u><b>4,537</b></u>	<u><b>1,042</b></u>	<u><b>4,326</b></u>	<u><b>14,716</b></u>
At 31 December 2005	<u><b>4,915</b></u>	<u><b>4,646</b></u>	<u><b>1,198</b></u>	<u><b>4,425</b></u>	<u><b>15,184</b></u>

**10 STOCKS**

	Group		IET	
	2006	2005	2006	2005
	£000	£000	£000	£000
Publications and work in progress	279	359	279	359
Paper, stationery and postage	8	25	8	25
Other stocks	-	39	-	-
	<u>287</u>	<u>423</u>	<u>287</u>	<u>384</u>

**11 DEBTORS**

	Group		IET	
	2006	2005	2006	2005
	£000	£000	£000	£000
Trade debtors	3,529	2,524	2,610	1,745
Other debtors	1,020	1,106	1,018	1,103
Prepayments and accrued income	656	629	656	629
Amounts due from subsidiaries	-	-	945	851
	<u>5,205</u>	<u>4,259</u>	<u>5,229</u>	<u>4,328</u>

**12 CREDITORS: Amounts falling due within one year**

	Group		IET	
	2006	2005	2006	2005
	£000	£000	£000	£000
Trade creditors	2,875	3,184	2,679	2,925
Taxation and NI costs	416	387	416	387
Other creditors	1,845	1,756	1,756	1,678
Accruals	549	325	540	325
	<u>5,685</u>	<u>5,652</u>	<u>5,391</u>	<u>5,315</u>

**13 COMMITMENTS**

Annual commitments for equipment under non-cancellable operating leases of the Group and IET are as follows:

	2006	2005
	£000	£000
Expiry date:		
- within one year	69	163
- between two and five years	82	175
	<u>151</u>	<u>338</u>

**14 TRUSTEES AND RELATED PARTY TRANSACTIONS**

During the year, claims for travelling and subsistence expenses totalling £51,576 incurred by 19 Trustees on behalf of the IEE and the IET were reimbursed (2005: £70,705 by 12 Trustees).

Members of the IIE Council were reimbursed in connection with attendance at Council and Executive Committee meetings. Expenses reimbursed, together with the costs of such meetings, in the year ended 31 March 2006 amounted to £20,837 (year ended 31 March 2005: £20,229).

None of the Trustees, or persons connected with them, received remuneration for any service to the IET this year or last year.

Trustee liability insurance cover was placed during the year, at a cost of £52,083 (2005: £51,456). The IIE had in place professional indemnity insurance in the year ended 31 March 2006 at an annual cost of £6,562.

## 15 INVESTMENTS

	Group £000	IET £000
<b>Market Value at 1 January 2006</b>	103,330	103,330
Acquisitions at Cost	29,689	29,689
Proceeds from Sale of Investments	(34,272)	(34,272)
Increase in Investment Cash	351	351
Net Investment Gains	6,542	6,542
<b>Market Value at 31 December 2006</b>	<u>105,640</u>	<u>105,640</u>
Historical Cost at 31 December 2006	83,339	83,339
Unrealised Gains	<u>22,301</u>	<u>22,301</u>
Realised Gains based on Historic Cost	<u>4,085</u>	<u>4,085</u>

### Analysis of Investments

	Group		IET	
	2006 £000	2005 £000	2006 £000	2005 £000
Subsidiary undertakings	-	-	-	-
Listed	78,537	75,047	78,537	75,047
Trusts	26,259	27,810	26,259	27,810
Cash	844	473	844	473
	<u>105,640</u>	<u>103,330</u>	<u>105,640</u>	<u>103,330</u>

The IET's investment in subsidiary undertakings at 31 December 2006 was £102 (31 December 2005: £102)

The following individual holdings included in the portfolio represent more than 5% by value of the total:

Barclays Global Investors Ltd. Charitrak UK Equity Index Fund	£29,578,000
Barclays Global Investors Ltd. Giltrak Accumulating Share Class	£19,519,000

## 16 SUBSIDIARY UNDERTAKINGS

At 31 December 2006, the IET owned the entire issued share capital of IET Services Limited (IETSL) and IEE Conventions Limited (IEECL). The trading results of these companies are shown in note 4 and summary balance sheets presented below:

	IETSL 2006 £000	IETSL 2005 £000	IEECL 2006 £000	IEECL 2005 £000
<b>Fixed Assets</b>	-	-	8	20
<b>Current Assets</b>				
Stocks	-	38	-	-
Debtors	589	478	362	319
Cash at bank and in hand	7	36	1,385	1,356
<b>Current Liabilities</b>	<b>(502)</b>	<b>(460)</b>	<b>(1,639)</b>	<b>(1,581)</b>
<b>Net Assets</b>	<u>94</u>	<u>92</u>	<u>116</u>	<u>114</u>
<b>Represented by:</b>				
Called-up share capital	-	-	-	-
Profit & loss account	94	92	116	114
	<u>94</u>	<u>92</u>	<u>116</u>	<u>114</u>

## 17 ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

Fund balances at 31 December 2006 are represented by:

	Unrestricted Funds £000	Restricted Funds £000	<b>Total Funds 2006 £000</b>	Total Funds 2005 £000
Tangible fixed assets	13,548	1,176	<b>14,724</b>	15,232
Investments	100,305	5,335	<b>105,640</b>	103,330
Current assets	13,196	-	<b>13,196</b>	17,435
Current liabilities	(13,714)	-	<b>(13,714)</b>	(14,587)
Pension scheme liability	(6,916)	-	<b>(6,916)</b>	(17,420)
<b>Total net assets</b>	<b>106,419</b>	<b>6,511</b>	<b>112,930</b>	<b>103,990</b>

## 18 RESERVES AND RESTRICTED FUNDS

	Balance at 1 January 2006 £000	Net Investment Gains £000	Net (Outgoing)/ Incoming Resources before Valuations £000	Reserve funded capital expenditure and reserve transfers £000	<b>Balance at 31 December 2006 £000</b>
<b>General Funds</b>					
Operations Reserve	20,000	-	-	2,150	<b>22,150</b>
Pension Scheme Reserve	19,900	-	-	(8,905)	<b>10,995</b>
Net Current Assets Reserve	2,630	-	-	(2,630)	<b>-</b>
Revaluation Reserve	11,053	-	-	258	<b>11,311</b>
General Reserve	22,423	5,792	3,452	(8,848)	<b>22,819</b>
<b>Total IET General Funds</b>	<b>76,006</b>	<b>5,792</b>	<b>3,452</b>	<b>(17,975)</b>	<b>67,275</b>
<b>Designated Funds</b>					
Fixed Assets Reserve	15,204	-	-	(480)	<b>14,724</b>
London Lease Redemption Reserve	802	50	15	104	<b>971</b>
Invested Building Redemption Reserve	4,482	280	84	208	<b>5,054</b>
Building Reserve	5,431	-	(639)	5,660	<b>10,452</b>
Development and New Initiatives Reserve	13,000	-	(3,581)	5,230	<b>14,649</b>
<b>Total IET Designated Funds</b>	<b>38,919</b>	<b>330</b>	<b>(4,121)</b>	<b>10,722</b>	<b>45,850</b>
IEECL Accumulated Fund	114	-	2	-	<b>116</b>
PPL Accumulated Fund	92	-	2	-	<b>94</b>
<b>Total Group Designated Funds</b>	<b>39,125</b>	<b>330</b>	<b>(4,117)</b>	<b>10,722</b>	<b>46,060</b>
<b>Total IET Unrestricted Funds Before Pension Liability</b>	<b>114,925</b>	<b>6,122</b>	<b>(665)</b>	<b>(7,253)</b>	<b>113,125</b>
<b>Total Group Unrestricted Funds Before Pension Liability</b>	<b>115,131</b>	<b>6,122</b>	<b>(665)</b>	<b>(7,253)</b>	<b>113,335</b>
Pension Scheme Funding Reserve	(17,420)	-	-	10,504	<b>(6,916)</b>
<b>Total IET Unrestricted Funds After Pension Liability</b>	<b>97,505</b>	<b>6,122</b>	<b>(665)</b>	<b>3,251</b>	<b>106,209</b>
<b>Total Group Unrestricted Funds After Pension Liability</b>	<b>97,711</b>	<b>6,122</b>	<b>(665)</b>	<b>3,251</b>	<b>106,419</b>
IET Restricted Fund	1,204	-	-	(28)	<b>1,176</b>
Trust Funds	5,075	420	(160)	-	<b>5,335</b>
<b>Total IET Restricted Funds</b>	<b>6,279</b>	<b>420</b>	<b>(160)</b>	<b>(28)</b>	<b>6,511</b>
<b>Total IET Funds</b>	<b>103,784</b>	<b>6,542</b>	<b>(829)</b>	<b>3,223</b>	<b>112,720</b>
<b>Total Group Funds</b>	<b>103,990</b>	<b>6,542</b>	<b>(825)</b>	<b>3,223</b>	<b>112,930</b>

The IET's policy is to externally invest the funds, with the exception of the Fixed and Net Current Assets Reserves. The value of the Funds and Investments, where applicable, was as follows:

	Funds £000	Investments £000
Accumulated Reserves	98,611	100,305
Trust Funds	5,335	5,335
Pension Scheme Funding Reserve	(6,916)	-
Fixed and Net Current Assets Reserves	14,724	-
Restricted Fund	1,176	-
	<u>112,930</u>	<u>105,640</u>

During 2006 £5,000,000 cash was transferred from the Investment Managers in accordance with the Investment Policies (2005: cash transferred to the Investment Managers £5,000,000).

### Unrestricted Funds

**General Funds** have been segmented into the following categories:

**The Operations Reserve** allows operations to continue in the event of financial setbacks and represents six months' expenditure of the IET Group's average 3-yearly expenditure.

**The Pension Scheme Reserve** represents the back service deficit of the defined benefit pension scheme calculated by the Scheme's Actuary as at 31 March 2005.

The balance on the **Revaluation Reserve** is normally set at 10% of the value of the IET's unrestricted funds. Subsequent revaluations or shortfalls on realisations of the Institution's investments will be reflected in this Reserve over the medium term during which the Institution's reserves are intended to be utilised.

### The Designated Funds are:

**The Fixed Assets Reserve** represents the net book value of tangible fixed assets. Transfers between this reserve and the London Lease Redemption Reserve and the Invested Building Redemption Reserve represent amortisation and depreciation of the buildings referred to in Note 1(c). Net transfers have also been made to the New Initiatives Reserve representing the depreciation charges on capital expenditure which has been funded from this reserve.

**The Invested Building Redemption Reserve and the London Lease Redemption Reserve** have been set up to provide the future funds required to rebuild or replace Michael Faraday House and Regional Centres and to provide a sum of money at the expiry of the London leases to allow for continuing or alternative accommodation as necessary.

**The Building Reserve** is to fund the major building renovations identified and planned to be undertaken at the London and Hertfordshire premises during 2007 to 2011.

**The Development and New Initiatives Reserve** has been established to fund those projects which have been approved to be undertaken and is also to underwrite new revenue-generating activities to supplement the income from existing activities. Sums have been spent this year from this reserve on IT projects including the RM Project.

The results of the FRS 17 valuation are disclosed in more detail in Note 19. The net pension scheme liabilities are disclosed under **The Pension Scheme Funding Reserve**.

### Restricted Funds

Government grants offered to support the costs of development of Regional Engineering Centres have been shown as restricted funds and are reduced by the depreciation charges relating to that proportion of the assets acquired by the grants. There currently exists a potential liability to repay grants received should certain conditions of the offer not be met. Non-compliance with these conditions is not anticipated and therefore no provision has been made in the accounts for the cost of such liability occurring.

**The IEE Benefactors' Trust Fund** has been established to receive donations and bequests from members and others in a tax efficient way and are included in the Institution's accounts as restricted funds. An analysis of these Trust Funds is shown in note 23.

## 19 LIABILITY FOR FUTURE PENSIONS

### Defined Benefit Schemes

The IET operates a funded defined benefit occupational scheme to which both the IET and employees make contributions. The scheme is administered through a trust, which is independent of the IET, by Trustees who are appointed by IET and member-nominated Trustees. The figures below exclude the pension expenses or employees of the IET Connect, a separate charity organisation that also participates in the defined benefit scheme.

The pension cost relating to this scheme is normally assessed every three years in accordance with the advice of qualified consulting actuaries. A full actuarial valuation was carried out as at 31 March 2005 by a qualified independent actuary. The main assumptions used by the actuary were (in nominal terms) as follows:

Rate of increase in pensionable salaries	5.00%
Pension increases	3.00%
Discount rate – pre retirement	7.00%
Discount rate – in retirement	5.25%
Inflation assumptions	3.00%

In accordance with the requirements of Financial Reporting Standard 17 the full actuarial valuation at 31 March 2005 was updated by Hymans Robertson, Consulting Actuaries as at 31 December 2006. The major assumptions used by the actuary were:

	<b>2006</b>	2005	2004
	<b>% p.a.</b>	% p.a.	% p.a.
Price inflation	<b>2.75</b>	2.50	2.50
Pensions increases	<b>2.75</b>	2.50	2.50
Salary increases	<b>4.75</b>	4.50	4.50
Discount rate	<b>5.10</b>	4.80	5.30

The assets of the scheme are held with State Street Global Advisers and ISIS Managed Pension Funds Limited. The managed funds are invested in a diversified portfolio of investments comprising 80% equities and 20% bonds.

The assets and liabilities of the scheme at 31 December 2006, along with the expected rates of return on scheme assets are as follows:

	<b>Long</b>	<b>2006</b>	Long	2005	Long	2004
	<b>Term</b>	<b>Fund</b>	Term	Fund	Term	Fund
	<b>Return</b>	<b>Value</b>	Return	Value	Return	Value
	<b>% p.a.</b>	<b>£000</b>	% p.a.	£000	% p.a.	£000
Equities	<b>7.30</b>	<b>67,346</b>	7.00	57,232	7.50	47,368
Bonds	<b>4.30</b>	<b>16,836</b>	4.00	14,308	4.50	11,842
<b>Total value of assets</b>		<b>84,182</b>		71,540		59,210
Actuarial value of scheme liabilities		<b>(90,684)</b>		(88,365)		(75,267)
<b>Deficit in scheme</b>		<b>(6,502)</b>		(16,825)		(16,057)
Irrecoverable surplus		-		-		-
<b>Deficit recognised in balance sheet</b>		<b>(6,502)</b>		(16,825)		(16,057)
Related deferred tax liability		-		-		-
<b>Net pension scheme liabilities</b>		<b>(6,502)</b>		(16,825)		(16,057)

### Analysis of the amount charged to operating surplus

	<b>2006</b>	2005	2004
	<b>£000</b>	£000	£000
Current service cost	<b>1,768</b>	1,227	1,257
<b>Total operating charge</b>	<b>1,768</b>	1,227	1,257



**Analysis of the amount credited to other income**

	<b>2006</b>	2005	2004
	<b>£000</b>	£000	£000
Expected return on pension scheme assets	<b>4,545</b>	4,051	3,821
Interest on pension scheme liabilities	<b>(4,239)</b>	(3,973)	(3,618)
<b>Net return</b>	<b>306</b>	78	203

**Analysis of amount recognised in the Statement of Financial Activities (SoFA)**

	<b>2006</b>	2005	2004
	<b>£000</b>	£000	£000
Actual return less expected return on pension scheme assets	<b>1,286</b>	8,127	2,702
Experience gains and losses arising on the scheme liabilities	-	(866)	924
Changes in assumptions underlying the present value of the scheme liabilities	<b>1,804</b>	(8,860)	(5,752)
Actuarial (loss)/gain in pension plan	<b>3,090</b>	(1,599)	(2,126)
<b>Actuarial (loss)/gain recognised in SoFA</b>	<b>3,090</b>	(1,599)	(2,126)

**Analysis of movement in deficit in the scheme during the year**

	<b>2006</b>	2005	2004
	<b>£000</b>	£000	£000
<b>Deficit in the scheme at beginning of year</b>	<b>(16,825)</b>	(16,057)	(14,583)
Current Service Cost	<b>(1,768)</b>	(1,227)	(1,257)
Employer contributions	<b>8,965</b>	2,200	1,848
Other outgoings	<b>(270)</b>	(220)	(142)
Net return	<b>306</b>	78	203
Actuarial (losses)/gains	<b>3,090</b>	(1,599)	(2,126)
<b>Deficit in the scheme at end of year</b>	<b>(6,502)</b>	(16,825)	(16,057)

**History of experience gains and losses**

	<b>2006</b>	2005	2004	2003
	<b>£000</b>	£000	£000	£000
Difference between the expected and actual return on scheme assets	<b>1,286</b>	8,127	2,702	4,734
Value of scheme assets	<b>84,182</b>	71,540	59,210	52,606
<b>Percentage of scheme assets</b>	<b>1.5%</b>	11.4%	4.6%	9.0%
Experience (losses)/gains on scheme liabilities	-	(866)	924	669
Present value of scheme liabilities	<b>90,684</b>	88,365	75,267	67,189
<b>Percentage of the present value of scheme liabilities</b>	<b>0.0%</b>	(1.0)%	1.2%	1.0%
Actuarial (losses)/gains recognised in SoFA	<b>3,090</b>	(1,599)	(2,126)	4,660
Present value of scheme liabilities	<b>90,684</b>	88,365	75,267	67,189
<b>Percentage of the present value of scheme liabilities</b>	<b>3.4%</b>	(1.8)%	2.8%	6.9%

The defined benefit Scheme is closed to new entrants and so the use of the projected unit valuation method required by FRS 17 means that the current service cost, as a proportion of the defined benefit members' earnings, is likely to increase as members approach retirement.

At the date of the merger of the IEE with the IIE, the IET became the principal employer of the defined benefit Scheme that had been operated by the IIE, The Institution of Incorporated Engineers Pension and Life Assurance Scheme.

The pension cost relating to this scheme is normally assessed every three years in accordance with the advice of qualified consulting actuaries. A full actuarial valuation was carried out as at 31 October 2004 by a qualified independent actuary. The main assumptions used by the actuary were (in nominal terms) as follows:

Rate of increase in pensionable salaries	4.25%
Discount rate – pre retirement	4.75%
Discount rate – in retirement	4.75%
Inflation assumptions	2.75%

In accordance with the requirements of Financial Reporting Standard 17 the full actuarial valuation at 31 October 2004 was updated by JLT Benefit Solutions Limited, Consulting Actuaries as at 31 December 2006. The major assumptions used by the actuary were:

	<b>2006</b> <b>% p.a.</b>	2005 % p.a.	2004 % p.a.
Price inflation	<b>2.75</b>	2.50	2.50
Pension in payment increases, pre April 1997	<b>2.10</b>	1.75	2.25
Pension in payment increases, post April 1997	<b>5.00</b>	5.00	5.00
Revaluation rate for deferred pensioners	<b>2.75</b>	2.50	2.50
Salary increases	<b>4.75</b>	4.50	4.50
Discount rate	<b>5.10</b>	4.75	5.25

Scheme assets are held in a separate fund administered by Norwich Union. The assets and liabilities of the scheme at 31 December 2006, along with the expected rates of return on scheme assets are as follows:

	<b>Long Term Return % p.a.</b>	<b>2006 Fund Value £000</b>	Long Term Return % p.a.	2005 Fund Value £000	Long Term Return % p.a.	2004 Fund Value £000
Fund value	<b>4.75</b>	<b>1,878</b>	4.75	2,203	4.75	1,934
<b>Total value of assets</b>		<b>1,878</b>		2,203		1,934
Actuarial value of scheme liabilities		<b>2,292</b>		2,798		2,351
<b>Deficit in scheme</b>		<b>(414)</b>		(595)		(417)
Irrecoverable surplus		-		-		-
<b>Deficit recognised in balance sheet</b>		<b>(414)</b>		(595)		(417)
Related deferred tax liability		-		-		-
<b>Net pension scheme liabilities</b>		<b>(414)</b>		(595)		(595)

**Analysis of the amount charged to operating surplus**

	<b>2006</b> <b>£000</b>	2005 £000
Current service cost	<b>121</b>	96
<b>Total operating charge</b>	<b>121</b>	96

**Analysis of the amount credited to other income**

	<b>2006</b> <b>£000</b>	2005 £000
Expected return on pension scheme assets	<b>92</b>	93
Interest on pension scheme liabilities	<b>(127)</b>	(129)
<b>Net charge</b>	<b>35</b>	36

**Analysis of amount recognised in the Statement of Financial Activities (SoFA)**

	<b>2006</b>	2005
	<b>£000</b>	£000
Actual return less expected return on pension scheme assets	(31)	(28)
Experience gains and losses arising on the scheme liabilities	50	95
Changes in assumptions underlying the present value of the scheme liabilities	114	(205)
Actuarial (loss)/gain in pension plan	133	(138)
<b>Actuarial (loss)/gain recognised in SoFA</b>	<b>133</b>	<b>(138)</b>

**Analysis of movement in deficit in the scheme during the year**

	<b>2006</b>	2005
	<b>£000</b>	£000
<b>Deficit in the scheme at beginning of year</b>	<b>(595)</b>	<b>(417)</b>
Current Service Cost	(121)	(96)
Employer contributions	(35)	92
Net return	204	(36)
Actuarial gains/(losses)	133	(138)
<b>Deficit in the scheme at end of year</b>	<b>(414)</b>	<b>(595)</b>

**History of experience gains and losses**

	<b>2006</b>	2005
	<b>£000</b>	£000
Difference between the expected and actual return on scheme assets	(31)	(28)
Value of scheme assets	1,878	2,203
<b>Percentage of scheme assets</b>	<b>(1.7)%</b>	<b>(1.3)%</b>
Experience (losses)/gains on scheme liabilities	50	95
Present value of scheme liabilities	2,292	2,798
<b>Percentage of the present value of scheme liabilities</b>	<b>2.2%</b>	<b>3.4%</b>
Actuarial (losses)/gains recognised in SoFA	114	(205)
Present value of scheme liabilities	2,292	2,798
<b>Percentage of the present value of scheme liabilities</b>	<b>5.0%</b>	<b>(7.3)%</b>

The defined benefit Scheme is closed to new entrants and so the use of the projected unit valuation method required by FRS 17 means that the current service cost, as a proportion of the defined benefit members' earnings, is likely to increase as members approach retirement.

**Defined Contribution Schemes**

During 2001, the IET established a defined contribution stakeholder pension arrangement. Both the IET and employees make contributions towards the scheme. At 31 December 2006, 86 employees were members of the scheme (2005: 59). The total employer contributions paid to this scheme during the year amounted to £165,164 (2005: £123,644).

On the merger of the IEE with the IIE, the IET assumed responsibility for the IIE's defined contribution pension arrangement. At 31 December 2006, 2 employees were members of the scheme (2005: 4). The total employer contributions paid to this scheme during the year amounted to £7,971 (2005: £11,957).

The pension charge for the year to 31 December 2006 for all schemes was £2,072,260 (2005: £1,698,324).

**20 RECONCILIATION OF NET INCOMING RESOURCES TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	2006 £000	2005 £000
<b>Net incoming resources</b>	<b>(825)</b>	3,457
Depreciation and amounts written off in connection with assets no longer in use	731	877
Gain on sale of fixed assets	-	(18)
Decrease/(Increase) in stocks	136	(66)
(Increase)/Decrease in debtors	(946)	464
Increase in creditors	934	179
(Decrease)/Increase in amounts received in advance	(1,807)	735
Decrease/(Increase) in payments in advance	(408)	403
Decrease in Pension Scheme Liability net of Actuarial Gains and Losses	(7,281)	(791)
Interest received	(492)	(730)
Rent received	(55)	(198)
Dividends received	(1,934)	(1,409)
Investment management fees	147	141
<b>Net cash (outflow)/inflow from operating activities</b>	<b><u>(11,800)</u></b>	<b><u>3,044</u></b>

**21 ANALYSIS OF THE BALANCES OF CASH AS SHOWN IN THE BALANCE SHEET**

	At 1 January 2006 £000	Cash flow £000	At 31 December 2006 £000
Short-term deposits and cash at bank and in hand	5,863	543	<b>6,406</b>
Cash on term deposit	6,000	(6,000)	-
	<u>11,863</u>	<u>(5,457)</u>	<b><u>6,406</u></b>

**22 CHARITY SOFA**

Incoming resources and resources expended by the Charity included in the Financial Statements are as follows:

	Unrestricted Funds £000	Restricted Funds £000	Total Funds £000
Incoming Resources	41,573	95	<b>41,668</b>
Resources Expended	45,674	255	<b>45,929</b>
Net Outgoing Resources	<u>(4,101)</u>	<u>(160)</u>	<b><u>(4,261)</u></b>

## 23 TRUST FUND ACCOUNTS

The IET Trust Fund accounts are amalgamated with the IET Reserve Funds in one Common Investment Fund. The figures in parenthesis indicate the subsidiary charity reference of the main IET charity on the Register of Charities held by the Charity Commission. The following Funds are separately registered as charities:

- The Sir Charles A Parsons Memorial Scholarship Registration number: 313709
- The Joseph William Beauchamp Scholarships Registration number: 313514
- Lord Hirst Fund Registration number: 209127
- The Caroline Haslett Memorial Trust Registration number: 313245
- The Institution of Electrical Engineers Manufacturing Education Trust Registration number: 313387, which is administered and reported within the IEE Benefactors Trust Fund.

	CAPITAL & RESERVE REVENUE FUNDS		REVENUE FUNDS	
	Market Value 2006 £	Market Value 2005 £	2006 £	2005 £
IEE Benefactors Trust Fund (14), .....	4,143,123	3,972,485	-	-
Beauchamp Scholarship (2).....	66,438	61,326	-	-
National Electronics Council (note below).....	246,174	227,231	-	-
J S Robinson and O M Robinson Memorial Scholarship (22).....	99,943	92,252	-	-
IEE Manufacturing Prizes and Awards (note below).....	139,387	128,661	7,395	4,802
J R Beard Travelling Fund (4).....	9,475	8,746	-	-
Blumlein-Browne-Willans Premium Fund (5).....	2,480	2,289	5,395	4,871
Faraday House Commemorative Prize.....	2,768	2,555	6,711	6,064
Hearn Lecture.....	9,904	9,142	5,169	4,563
Lord Hirst Fund.....	37,515	34,628	-	85
Lord Hirst Reserve Revenue Fund.....	113,088	104,386	101,866	97,747
P S Hudswell Bequest Fund (9).....	48,430	44,703	-	106
P S Hudswell Bequest Fund Reserve Revenue Fund (9).....	36,525	33,714	-	2,503
Hunter Memorial Lecture Fund (11).....	6,383	5,892	1,884	1,625
Henry Nimmo Premium Fund (16).....	2,041	1,884	2,459	2,208
Leslie H Paddle Scholarship (27).....	46,211	42,655	-	-
Wilde Benevolent Trust Fund (1).....	5,863	5,412	4,223	3,759
Anonymous Donation.....	1,928	1,780	4,576	4,134
Undergraduate Scholarships & Grants (details below).....	92,166	85,074	-	-
Benefactors prizes (details below).....	1,875	1,731	2,820	2,902
Paul Fletcher Memorial Award Fund (ex IIE).....	8,861	5,867	12	-
The Caroline Haslett Memorial Trust (ex IIE).....	12,651	23,726	-	-
The IIE Prize Fund (ex IIE).....	22,907	17,313	31	-
Young Member Career Achievement Award Fund (ex IIE).....	8,760	5,800	12	-
Gerald David Memorial Fund.....	6,352	-	10	-
Harry Dixon Award Fund (ex IIE).....	21,277	19,770	-	-
	<b>5,192,527</b>	<b>4,939,022</b>	<b>142,563</b>	<b>135,369</b>
Harry Henniker Prize Fund.....	-	-	2,368	2,348

### *National Electronics Council:*

The National Electronics Council was wound up in 1999. Under terms of an agreement, IET is to administer the fund and use the income from it to provide scholarships, prizes and other uses consistent with the original aims and objectives of NEC. The fund is administered within the IEE Benefactors Trust Fund but reported separately for completeness.

### *IEE Manufacturing Prizes and Awards*

Prizes and awards relating to the former Institution of Manufacturing Engineers are administered within the IEE Benefactors Trust Fund but reported separately for completeness

### *The Undergraduate Scholarships and Grants are funded from the following:*

William Beedie Esson Scholarship Trust Fund (6); William Geipel Scholarship Trust Fund (7); David Hughes Scholarship Trust Fund (10); IMEA Scholarship Trust Fund (12); J.D Knight and E.D Knight Fund (13); Sir Edward Manville Scholarship Fund (15); O'Gorman Memorial Fund (18); Sir Charles A Parsons Memorial Scholarship (20); Paul Scholarship (21); Salomans Scholarship Trust Fund (23); C.P. Sparkes War Thanksgiving Fund (26); Swan Memorial Scholarship (24); and Thorrogood Scholarship Trust Fund (25).

*Benefactors' Prizes are funded from the following:*

Goldup Prize Fund (8); Henry Nimmo Prize Fund (17); Page Prize Fund (19); and Prize Fund for Women (3).