

Institution of Chemical Engineers

Annual Report and Consolidated
Financial Statements
for the year ended 31 December 2018

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Trustees' Report

The Board of Trustees is pleased to present its annual report together with the financial statements of the charity and its subsidiaries for the year ending 31 December 2018.

The financial statements comply with the *Charities Act 2011* and *Accounting and Reporting by Charities: Statement of Recommended Practice* applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

Reference and Administrative Details

The Institution of Chemical Engineers (IChemE) is a registered Charity in England and Wales (charity number 214379) and a charity registered in Scotland (SC039661).

Principal Office

Davis Building, Railway Terrace, Rugby, Warwickshire, CV21 3HQ

Auditors

RSM UK Audit LLP, St Philips Point, Temple Row, Birmingham, B2 5AF

Main Bankers

NatWest Bank Plc, Silbury House, 300 Silbury Boulevard, Milton Keynes, MK9 2ZF

Solicitors

Hill Hofstetter, Trigen House, Central Boulevard, Blythe Valley Park, Solihull, B90 8AB
Mills & Reeve, 100 Hills Road, Cambridge, CB2 1PH

Investment Managers

Rathbone Investment Management Limited, 8 Finsbury Circus, London, EC2M 7AZ
Ruffer LLP, 80 Victoria Street, London, SW1E 5JL

Trustees

The Trustees serving through the year were as follows:

1 January 2018 – 21 May 2018

Mr JM McGagh (President)
Prof JPK Seville (Immediate Past President)
Mr KJ Rivers (Deputy President & Honorary Treasurer)
Mr WJ Harper (VP Qualifications)
Prof D York (VP Technical)
Mr PR Ellis (VP International)
Mrs JV Atkinson
Prof L Gladden
Dr J Glassey
Mr IJ Martin
Dr C Phang
Mr D Platts
Prof C Webb
Mrs AMW Woodford

From 21 May 2018

Mr KJ Rivers (President)
Mr JM McGagh (Immediate Past President)
Dr AS Thompson (Deputy President)
Mr IJ Martin (Honorary Treasurer)
Mr AB Just (VP Qualifications)
Dr J Glassey (VP Technical)
Mr THL White (VP International)
Mrs JV Atkinson
Mrs MD Isles-Ahite
Dr C Phang
Eur Ing KC Plumb
Mr DM Sutton
Mrs WJ Wilson
Mrs AMW Woodford

Chief Executive

Mr J Prichard

Senior Management Team

Mr J Blades: Deputy Chief Executive, Chief Operating Officer (*to 31 Jul 2018*)
Ms J Downham: Director, Finance & Business
Mrs C Flavell-While: Director, Policy & Publications
Mr A Furlong: Director, Communication & Brand Development (*to 31 Jul 2018*)
Mr D Lloyd-Roach: Director, Qualifications (*from 1 Jun 2018*)
Mr P Slane: Director, Regions

Objectives and activities for the public benefit

The Institution of Chemical Engineers (IChemE) is a professional body committed to advancing the practice of chemical engineering worldwide for the benefit of society.

In support of this core purpose we promote a wide awareness of the role of chemical engineering. We develop, maintain and administer standards of professionalism, education, safety and engineering practice. We work to attract a broad range of talent from diverse backgrounds into the discipline, and we inspire young professionals to develop their competence to ensure that society is protected.

We assess applicants for membership through a rigorous peer review process thereby promoting professional development and competence in all those who enter the profession.

By promoting high standards, we encourage chemical engineers to deliver economic benefit and wellbeing without causing harm to society or the planet.

Through the knowledge and expertise of our members we inform policy development and advance the practice of chemical engineering. We recognise and celebrate excellence; we undertake informed advocacy on behalf of chemical engineering and chemical engineers; and share the message that chemical engineering matters.

The object of the Institution as set out in the Royal Charter is:

to promote, foster and develop the general advancement of the science of chemical engineering in all its branches as an end in itself and as a means of furthering the scientific and economic development and application of processes in which chemical and physical changes of materials are involved and to promote, assist, finance and support such research, investigation and experimental work in chemical engineering as the Institution may consider likely to conduce to those ends and to the benefit of the community at large.

The powers vested in the Institution to achieve these objects are:

- To hold meetings of the Institution for reading and discussing papers and communications bearing upon the science of chemical engineering or the application thereof or upon subjects relating thereto and generally to advance knowledge of chemical engineering.
- To print, publish, sell, lend or distribute the proceedings or the reports of the Institution or any papers, communications, works or treatises on chemical engineering or its application or subjects connected therewith in the English or any foreign tongue or any abstracts thereof or extracts therefrom.
- To co-operate with Government Departments, Universities, other Educational Institutions and public educational authorities for the furtherance of knowledge of and education in chemical engineering, science or practice.
- To publish statements in the public interest for the education or information of the general public on matters involving the science or application of chemical engineering.
- To hold or prescribe examinations or other assessments for candidates for election to Voting and Non-Voting membership and by requiring standards of knowledge and experience approved by the Institution.
- To maintain, under licence from the Engineering Council (UK) or the Science Council, or any other successor organisations, or any other appropriate organisations, such Register, or parts thereof, as refer to relevant Chartered Practitioner status or to relevant Technician or other status.
- To co-operate with any other organisations to advance the cause of chemical engineering or for economic purposes related thereto.
- To do all other things incidental or conducive to the attainment of the above objects or any of them.

Our strategy

The Institution's business plan since 2017 has been characterised by seven key strategic pillars, that dictate the goals and activities IChemE undertakes in order to achieve these objects. They are:

- Reach out globally to attract, recruit, develop, retain and recognise chemical engineers through internationally recognised professional qualifications.
- Grow our international footprint to become the organisation of choice for chemical engineers.
- Involve, enable, and support our members to create a committed and empowered community.
- Develop insight and opinion to offer an authoritative voice on issues that affect chemical engineers and chemical engineering.
- Inform and influence others to strengthen relationships with key stakeholders, and become a trusted advisor and valued contributor.
- Embrace digitalisation to deliver content and services anytime, anywhere.
- Develop our organisational capability to drive effective and efficient delivery.

Public benefit

The Institution works to fulfil these goals on a broad international scale, reflecting the global nature of its membership and of the chemical engineering profession, and bringing benefits to the public and society by promoting high standards of engineering competence, professional ethics, safety and sustainability, thus enabling industry and society to receive the benefit from a competent profession and its practitioners.

The Trustees confirm that they have referred to the Charity Commission's guidance on public benefit when reviewing the Institution's aims and objectives and in planning future activities.

Achievements and performance

In 2018, the Institution underwent some marked changes to its Royal Charter and By-laws. Significant work was completed on the sustainable membership model, particularly in terms of the subscription arrears process, as well as in digitalisation where we successfully launched a new website.

The Institution's achievements continued to be measured against the existing business plan, defined by seven strategic pillars. However, work to refresh the strategy was also underway and will be taken forward in 2019 (see 'Plans for the future').

We will reach out globally to attract, recruit, develop, retain and recognise chemical engineers through internationally-recognised professional qualifications

Over the last couple of years, IChemE has been moving towards a sustainable membership model; one that accurately balances the number of professionally qualified members (Chartered Members and Fellows), with those non-professionally qualified. In parallel, IChemE has been undergoing a programme to review and rationalise its membership database, removing membership data anomalies and overhauling its subscription collection and lapsing processes to provide more accurate figures of those members in good standing.

At the end of 2017, IChemE's membership total was 42,699. Of those members, 38,531 members had paid their subscription by 31 December 2017 and 4,168 were in arrears and were therefore suspended.

In the past, IChemE has retained suspended members on the Register for longer than required in the By-laws. This enabled the Institution to encourage members in subscription arrears to reengage with IChemE and renew their membership. However, experience has shown that those who have not paid within 12 months are unlikely to do so subsequently.

In 2018, By-law changes were approved for a major overhaul to the subscription arrears and lapsing processes, so that members whose account was in arrears for eight months or more could be removed from the Register. This process change contributed to a one-off significant decrease in IChemE's membership total, finishing 2018 at 37,075. This exercise did not adversely affect the Institution's subscription income but has ensured that going forward IChemE's membership numbers offer a more accurate picture of IChemE's engaged community.

Significant progress in Programme SMART (Sustainable Membership Achieved through Robust Transactions) was made since its initiation in 2017. The programme's aim is to deliver sustainable membership growth and greater clarity around membership structure, while maintaining and enhancing IChemE's high qualification standards.

A revised process to turnaround Chartered membership applications within three months was piloted. The process will continue to be trialled within small, focused groups until it can be properly bedded-in. A new process, called the Individual Case Procedure (ICP), to give due credit for programmes of study not accredited by IChemE, was also developed and piloted. ICP will ultimately lead to significant revisions to becoming a Chartered Chemical Engineer via the current 'technical report route'.

The Institution undertook a major review into its Engineering Technician (EngTech) qualification in 2018. As a result, IChemE moved applications online and introduced a process to approve academic and professional development programmes.

In February, the Science Industry Process/Plant Engineer Degree Apprenticeship was approved for delivery by the Institute for Apprenticeships. IChemE was part of the Trailblazer Group that developed the apprenticeship and throughout 2018 it continued to work with universities and industry to enable implementation.

A Code of Conduct and non-disclosure agreements for volunteers engaged in qualification and membership activities was created, and various member-led groups were established to support volunteers.

Volunteers were trained for various assessor, interviewer, mentor and panel member roles; including for university accreditation, Engineer Technician qualification, and Chartered Chemical Engineer competence and commitment.

We will grow our international footprint to become the organisation of choice for chemical engineers

The IChemE Safety Centre (ISC) welcomed 10 new partners in 2018 and delivered 10 keynote speeches at conferences around the world. It also launched two new interactive training tools; Tidal Wave and Lift Off.

253 events and 61 webinars were held by IChemE Member Groups and Special Interest Groups (SIGs). The Midlands Members Group reformed (UK), and a new engineering network was launched in Oman (Middle East).

IChemE in Malaysia supported the sharing of knowledge with two major events; the Regional Palm Oil Processing Seminar and the 31st Symposium of Malaysian Chemical Engineers (SOMChE), organised with University Putra Malaysia.

More than 130 entries from 18 countries made it to final of the IChemE Global Awards and IChemE Malaysia Awards. *Pharma* and *Diversity* were two new categories added to the rostrum at the Global Awards, while the *Student Chapter Award* was new for Malaysia.

Meanwhile, 26 chemical engineers from various countries were recognised by the Institution's Medals and Prizes Committee for their outstanding contributions to the profession, the Institution, research and education.

We will involve, enable, and support our members to create a committed and empowered community

The National Young Members Committee was established in 2018 to support early career professionals in the UK and Ireland.

Around the world, more than 520 people participated in IChemE's physical and online training courses, and more than 9,100 took part in IChemE's events and webinars. New open courses were delivered on Safety Instrumental Functions and Explosion Risk Management. More than 30 companies were provided with IChemE accredited in-house training.

Two successful process safety conferences took place in 2018; aimed at helping chemical engineers to learn from process safety incidents and develop their understanding of the topic.

Vanessa Sutherland, CEO of the US Chemical Safety and Hazard Investigation Board (CSB), delivered the Trevor Kletz memorial lecture at *Hazards 28* in Edinburgh, UK. At *Hazards Australasia* fire safety was a key theme. A plenary session led by Dame Judith Hackitt and Stan Krpan, who were assigned to lead the work in the UK and Australia respectively, on the issue of cladding material for residential buildings, was held for the first time.

Experts gathered in New Zealand for IChemE's *Chemeca 2018* conference. Awards of Excellence were awarded to chemical and process engineers at the event. *The Chemeca Medal*, the highest accolade at the Awards, was presented to former IChemE Trustee, David Platts.

IChemE partnered with the Singapore Science & Engineering Fair (SSEF) to introduce a new chemical engineering category for their nationwide competition, aimed at promoting science and engineering to O-Level and A-Level students.

We will develop insight and opinion to offer an authoritative voice on issues that affect chemical engineers and chemical engineering

IChemE members are key authoritative voices on topical issues affecting society. In 2018, Professor Geoffrey Maitland's contribution to the UK's Carbon Capture Usage and Storage (CCUS) Cost Challenge Taskforce led to a new government action plan for mitigating climate change.

The IChemE Energy Centre's flagship report on the global commercialisation of Carbon Capture and Storage (CCS) was presented to the UN Economic Commission for Europe's Sustainable Energy, by Board Member Tekena Fubara.

IChemE's 2017 Ashok Kumar Fellow, Erin Johnson, published a briefing note for UK MPs on *The Fire Safety of Construction Products*. She met with Dame Judith Hackitt, who was appointed to lead the Independent Review of Building Regulations and Fire Safety following the Grenfell Tower fire, in London, UK to discuss their findings.

University of Leeds postgraduate Jennifer Spragg was appointed as IChemE's 2018 Ashok Kumar Fellow. She started her three-month placement at the Parliamentary Office for Science and Technology (POST) in November.

A special issue of the Institution's *Loss Prevention Bulletin* was published to mark 30 years since the 1988 explosion of North Sea oil platform, Piper Alpha. In addition, IChemE Safety Centre Director, and Chair of the IChemE Safety & Loss Prevention SIG, successfully lobbied the Health and Safety Executive to waive the access fee to the Cullen Report; which set out recommendations for the industry following Piper Alpha.

Impact Factors increased for all IChemE journals. *Food and Bioproducts Processing* saw the biggest increase of 39%. The inaugural Sustainable Production and Consumption Conference, born out of an IChemE journal of the same name, took place in October and was the first-ever conference of its kind

The BioFutures Programme progressed and the results and recommendations of the BioFutures Skills working group were launched at the European Symposium of Bioengineering Sciences (ESBES).

IChemE is working to become the foremost learned society in chemical engineering. Development in this area began to take shape in 2018, with plans focusing on supporting members to address society's grand challenges. Consultations with key areas of the membership were held to flesh-out the new direction of travel, led by the Vice President (Technical) and Director of Policy & Publications.

We will inform and influence others to strengthen relationships with key stakeholders, and become a trusted advisor and valued contributor

2018 was the UK government's Year of Engineering, which aimed to raise public awareness of the profession and encourage more young people to consider engineering careers. IChemE supported the initiative, and promoted member volunteers' outputs at BP, Valero, Atkins, Imperial College London, KBR, and OSL.

For championing professional development and chartership, Syngenta, Xodus and GHD were awarded IChemE Silver Corporate Partner status. 19 Accredited Company Training Schemes were recredited by the Institution's Qualifications function, and Suez was newly accredited. 33 Get Chartered presentations and 35 student membership presentations were delivered in the UK and Ireland.

New Appeals and Standards Panels were formed. A new fee structure for university accreditation was developed. University accreditation visits were increased by 20%.

The UK's Research Excellence Framework (REF) appointed three leading chemical engineering academics and IChemE members to the engineering sub-panel for REF 2021. Over the next two years, they will help develop detailed guidance and assessment criteria for UK engineering research.

We will embrace digitalisation to deliver content and services anytime, anywhere

In 2018, IChemE made strides in its digitalisation programme to improve services for members. The website has a fresh look and feel, with improved structure and navigational features. It is mobile-friendly and has provided members with a better experience and more intuitive navigation.

Interface, a member-only discussion forum, was also launched to provide greater connectivity between members. Accessible through the member dashboard, MyIChemE, it is a place where members around the world can discuss the profession, the Institution, and share technical knowledge.

The Institution also took several measures to ensure compliance with the new General Data Protection Regulations (GDPR). Current processes and policies were reviewed, training was provided to all IChemE staff, and all members were provided with the opportunity to tailor their communication preferences via MyIChemE.

We will develop our organisational capability to drive effective and efficient delivery

2018 was a marked year for change and improvement in governance. Members were invited to become more involved and engaged in leadership decisions. The year began with a strong backing in favour of Council's motion at the Extraordinary General Meeting on 11 January. 72% of members who voted had confidence in the Council to comply with the Institution's charitable objectives, and to work to improve its management and governance.

Several new Trustee positions were elected by the membership in 2018, including a new Deputy President and Vice President (International), and three new ordinary members.

Further consultations on the proposed changes to the Royal Charter and By-laws were conducted with the membership in the lead-up to the 2018 Annual General Meeting. The final proposals received strong support, with approval from more than 90% of voting members. Formal approval for the proposals, from the Privy Council Office was received in June. Key changes included reforming the governing Council to a smaller Board of Trustees; and creating an inaugural Congress; an advisory body to the Board consisting of IChemE member representatives that covered various geographies and membership grades.

32 volunteers were elected to Congress towards the end of the year. A Chair and Vice Chair were elected in December.

In October 2018, Deputy President, Andrew Thompson, announced his intention to step down. Elections for a new Deputy President will be held in 2019.

Plans for the future

The IChemE Board of Trustees, Congress and Senior Management Team are currently agreeing a five-year strategic plan for the organisation. It is intended that this will be launched following the Annual General Meeting (AGM) in May 2019.

The plan sets out IChemE's enduring purpose as: advancing the contribution of chemical engineering worldwide for the benefit of society; and its vision as being led by members, supporting members, and serving society. We will have realised this vision and fulfilled our purpose if we achieve four key aims by 2024. They are:

Aim 1: Respected for professionalism and technical competence

Achieved by:

- Setting and upholding professional standards – offering internationally-recognised accreditation, maintaining pathways to professional registration, regulating professional conduct.
- Developing chemical and process industry skills – championing continuing professional development (CPD), celebrating success and achievement, supporting apprenticeship frameworks.
- Supporting industry and employers – developing and enhancing the Corporate Partner scheme, facilitating the skills pipeline, contributing to up-skilling and re-skilling initiatives for engineers.

Aim 2: Recognised as a vibrant learned society that materially impacts on the Global Grand Challenges

Achieved by:

- Developing insight and opinion – providing a collective voice with other professions on joint issues, developing and communicating policy position statements (informed by our member experts), demonstrating that chemical engineering matters.
- Providing professional and technical leadership – supporting research and innovation, developing our Special Interest Groups (SIGs) to engage and collaborate more effectively, enabling digital literacy for our members, promoting a diverse profession.

Aim 3: Acknowledged as an Institution of choice in which an engaged membership receives and adds value

Achieved by:

- Improving societal understanding of chemical engineering – providing tools for careers outreach, promoting the contribution our members make in society, building partnerships with like-minded bodies, celebrating chemical engineering heritage and success.
- Ensuring support across the member lifecycle – promoting STEM career paths, developing student understanding and commitment, promoting early-career support, encouraging mid-career engagement, promoting senior member leadership.

Aim 4: A high-performing organisation delivering significant value

Achieved by:

- Embracing digitalisation – creating and updating our digital products and services so that we can service our membership 365 days a year and 24/7.
- Delivering a coherent business architecture – confirming and validating local governance structures, optimising regional support, developing and supporting local Member Groups (MGs).
- Securing and sustaining a financially sustainable organisation – delivering financial targets, identifying KPIs, continuous process improvement and risk management.
- Developing organisational capability – aspiring to operational excellence, promoting member engagement, promoting business-like management, being an employer of choice.

Financial Review

The financial statements for the year ended 31 December 2018 are set out on pages 20 to 39.

The consolidated financial statements, referred to as ‘Group’ in the financial statements and notes to the accounts, include the results of the Institution’s UK trading subsidiary IChemE Ltd and the charitable activities of the Institution’s subsidiaries in Australia, Malaysia, New Zealand and Singapore. The charity financial statements, referred to as ‘Charity’ in the financial statements and notes to the accounts, include the results for the registered charity in England and Wales only.

The results of the UK trading subsidiary and of the subsidiary undertakings in Australia, Malaysia, New Zealand and Singapore are set out in note 2 to the financial statements.

Income

Total group income for the year was £8,582,000 (2017: £7,874,000). The principal sources of income were:

- Membership subscription and accreditation fees totalling £3,873,000 (2017: £3,765,000).
- Within the Learned Society activity, the delivery of training courses continued to recover with delegate income increasing to £1,891,000 (2017: £1,685,000). Journals and publications saw further growth with income of £1,009,000 (2017: £957,000). Income from conferences, seminars and events, which varies due to the cyclical nature of conference activity, generated £812,000 (2017: £631,000). Income from the Institution’s knowledge communities, which includes company subscriptions to the IChemE Safety Centre and Special Interest Group activity, remained steady at £395,000 (2017: £386,000). Other income generated from collaboration with other entities was £31,000 (2017: £36,000).
- The income of the Institution’s trading subsidiary IChemE Ltd, which is generated mainly through the sale of advertising space in the Institution’s magazine, was £223,000 (2017: £212,000).
- Donations for the year were £60,000 (2017: £31,000). A further interim payment of £150,000 (2017: £100,000) was received from the legacy of a former member. A final sum of money is due to be paid from the member’s estate, which at the point of signing the accounts is unknown in terms of value and payment date. The legacy was originally notified to the Institution in December 2017.
- Dividends and interest on the investment portfolio was £98,000 (2017: £101,000).
- An additional £40,000 (2017: £29,000) was received in restricted funds. A donation of £13,000 (2017: £nil) was received from the JB Joshi Foundation which is to be used for the creation of a new award. A further £27,000 (2017: £29,000) was received in subscriptions for the International Process Safety Group (IPSG).

Expenditure

Total group expenditure for the year was £8,316,000 (2017: £7,532,000). Expenditure increased as a direct result of delivering an increase in income, i.e. due to the growth in the number of training courses and conferences delivered in the year. The remaining increase in expenditure relates to the delivery of projects and activities identified in the business plan to deliver the strategy.

Gift aid

The Institution’s wholly owned trading subsidiary, IChemE Ltd, achieved an operating profit of £95,000 (2017: £95,000), which was gift aided to the charity. This is recognised as income in the charity Statement of Financial Activities.

Net gains and losses on investments

Due to the fall in the stock market during 2018, the Institution’s investment portfolio reported unrealised losses of £397,000 (2017: gains £247,000). Further information on the performance of the investment funds is set out in the Investment policy and powers section below.

Other recognised gains and losses

Other actuarial gains of £389,000 (2017: £253,000) were recognised as a result of the remeasurement of the defined benefit pension scheme reserve at year end in accordance with UK accounting standards. Further details on the pension scheme are set out in note 22 to the financial statements.

Funds

Taking into account the losses on investments, the result for the year was a net expenditure of £201,000 (2017: *net income £318,000*). After allowing for the actuarial gain on the defined benefit pension scheme, the total fund balance increased by £188,000 (2017: *£571,000*) to £3,920,000 (2017: *£3,732,000*).

The funds held by the Institution are invested in a variety of ways. During 2018, the Trustees considered that the funds were sufficiently healthy to enable a draw down to help address the deficit in the defined benefit pension scheme and to accelerate the required upgrade to the IT systems and infrastructure. Further details are covered below.

The funds comprise two elements: unrestricted funds and restricted funds.

Unrestricted funds

Unrestricted funds are those funds which are expendable at the discretion of the Board of Trustees in connection with the objects of the Institution. At the end of 2018 the total unrestricted fund balance was £2,602,000 (2017: *£2,384,000*). Unrestricted funds comprise three types of reserves:

- **General funds**

At the end of 2018 the general funds balance was £5,298,000 (2017: *£7,728,000*).

During the year, a transfer of £1,000,000 (2017: *£nil*) was made from general funds to designated funds in order to give greater visibility relating to the planned use of reserves to fund the upgrade to the IT systems and infrastructure. In addition, a one-off lump sum payment of £1,150,000 (2017: *£nil*) was made from general funds to the defined benefit pension scheme in accordance with the recovery plan agreed with the pension scheme trustees as part of the triennial valuation.

- **Designated funds**

Designated funds are funds that have been designated for specific purposes by the Trustees, without restricting or committing the funds legally. The Trustees can cancel, increase or decrease the designation at any time, and are used to provide greater visibility on the planned use of reserves.

At the end of 2018 the designated fund balance was £1,000,000 (2017: *£nil*). The Trustees transferred this balance from general funds in 2018 for the purpose of funding an IT Transformation Programme over the next two to three year period. Further details on the designated fund are set out in note 18 to the financial statements.

- **Pension reserve**

The pension reserve relates to the defined benefit pension scheme, which was closed to new entrants and future accruals in 2006. The deficit in the scheme arises due to the difference between the estimated present value of liabilities compared to the assets of the scheme, which are held separately from the assets of the Institution by the pension scheme trustees.

Further progress has been made in reducing the size of the pension deficit and at the end of 2018 the deficit was £3,696,000 (2017: *£5,344,000*). Further details on the pension scheme are set out in note 22 to the financial statements.

Restricted funds

Restricted funds are income funds that can only be used for specific purposes which have been specified by the donor, or by the terms applied to an appeal for funds.

The total restricted fund balance at year end was £1,318,000 (2017: *£1,348,000*). The movement in restricted income funds is set out in note 17 to the financial statements.

Reserves policy

The Finance and HR Committee reviews the Institution's reserves policy and level of reserves held on an annual basis. The Committee considers all relevant information including the three-year budget and business plan, the strategic plan and the risks identified in the risk register.

The current reserves policy adopted by the Trustees is to hold free reserves equivalent to the level of committed costs plus a margin of 10%. This level of reserves is considered appropriate to demonstrate appropriate financial management of the Institution and to ensure the financial stability of the Institution in periods where there is a short to medium term shortfall in operating income. For 2018, the level of free reserves required to meet this policy was £3,000,000.

As at 31 December, the level of free reserves held by the group was £4,323,000 (2017: £6,671,000).

The current level of reserves held is in excess of the policy. However, the Trustees are comfortable holding excess reserves due to:

- the investment required to meet the Institution's strategy, some of which may require funding from reserves;
- the potential decline in the market value of the investment funds due to the continuing uncertainty in the investment market.

Free reserves are those funds freely available to spend on the Institution's charitable activities and represents the general fund balance of £5,298,000 (2017: £7,728,000) less fixed assets reserves of £975,000 (2017: £1,057,000).

Free reserves exclude the pension funding deficit as it represents a long-term funding requirement rather than a current cash commitment.

The reduction in free reserves in 2018 is a result of the lump sum transfer to the defined benefit pension scheme of £1,150,000, the transfer of £1,000,000 to designated funds to fund the IT Transformation Programme, and the unrealised losses of the investment portfolio due to the fall in the stock market during 2018.

The Trustees have considered the level of reserves held at year end and believes they are sufficient to deliver the objectives of the charity and protect it from risk of insolvency or serious disruption to its work.

Investment policy and powers

The investment policy adopted by the Trustees is to achieve a target return of CPI + 3% over a five year rolling basis and over a rolling three year period to achieve a minimum return of CPI. The Institution's investment objective remains to achieve long term capital growth with income.

The investment portfolio for both IChemE and the Andrew legacy restricted fund are split between Rathbones Investment Management Limited and Ruffer LLP. Both organisations are working to this investment policy and apply their individual judgement for asset allocation and investment selection to achieve the investment objective.

During the year the investment funds received £98,000 (2017: £101,000) in interest and dividends, and incurred management fees of £66,000 (2017: £68,000). As a result of the fall in the stock market at the end of the year, the funds generated unrealised losses of £397,000 (2017: gains £247,000) as at 31 December. The total return for the year, taking into account all income, management fees and market value movements, was therefore a decrease of 5.8% (2017: increase 3.8%).

A disinvestment of £1,150,000 (2017: £nil) was made from the unrestricted investment fund in November 2018 which was transferred as a lump sum payment to the defined benefit pension scheme as part of the agreed recovery plan. In addition, a disinvestment of £100,000 was made from the restricted investment fund in November 2018 to provide working capital for the Andrew Legacy activity over the next couple of years.

The market value of the combined investment funds at 31 December 2018 was £5,210,000 (2017: £6,825,000), of which £4,070,000 (2017: £5,585,000) relates to the Institution's unrestricted fund and £1,140,000 (2017: £1,240,000) relates to the Andrew legacy fund.

All income received during the year has been re-invested. The Institution's investments are recorded at market value. The gains and losses on revaluation have been transferred to the Statement of Financial Activities.

Investments are held in accordance with the By-laws of the Institution. The Trustees have the power to invest all monies not immediately required for operational activities as it sees fit and to appoint advisers to make such investments on its behalf.

IChemE continues to use the services of an independent financial advisor to review and monitor the investment portfolio. The performance of the investment fund was formally reviewed by the Finance & HR Committee throughout the year.

In addition to the investment fund, IChemE holds cash balances of £2,889,000 (2017: £2,459,000) of which £2,231,000 (2017: £1,775,000) is held by its subsidiaries. The Trustees are currently reviewing the investment strategy in respect of these funds.

Structure, Governance and Management

Governing Document

The Institution of Chemical Engineers was founded in 1922 and incorporated by Royal Charter in 1957.

The governing documents under which the Institution operates comprise the Royal Charter, as amended, the By-laws of the Institution, and Regulations made from time to time by the Board of Trustees, which is the Institution's governing body.

The Institution is a registered charity in England & Wales and a charity registered in Scotland.

In 2016 the Trustees initiated a governance review and following a period of consultation with its members, the Institution put forward a number of proposed changes to its Royal Charter and By-laws at the Annual General Meeting in May 2018. The amended Royal Charter and By-laws were formally approved by the Privy Council of the United Kingdom on 27 June 2018.

One of the main changes to the Charter and By-laws was the establishment of a Congress, an advisory body of elected IChemE members, which will serve as a link between the Institution's membership and the Board of Trustees. The role of Congress is to discuss matters of interest to the wider membership, offer a member view to inform the Trustees' decision making, and provide input into ongoing governance arrangements. Following an election in October 2018, the inaugural members of Congress were appointed, and the first session of Congress took place in January 2019.

Appointment of Trustees

The Board of Trustees are elected in accordance with the Royal Charter and By-laws. Another change to the Charter and By-laws in May 2018 was to move to a fully elected Board.

The new constitution for the Board of Trustees, which will be fully implemented by May 2020, will be:

- President
- Deputy President
- Immediate Past President
- Honorary Treasurer
- three Vice-Presidents
- three Ordinary Members
- two Regional Members

The Honorary Officers, consisting of the President, Deputy President, Immediate Past President and Honorary Treasurer, are elected annually. Those eligible for election as President shall be the Deputy President or, if in the opinion of the Board of Trustees special circumstances exist, a Fellow. The person eligible as Immediate Past President shall be the retiring President. Those eligible for Honorary Treasurer shall be as determined by the Nominations Committee.

The Vice-Presidents, Ordinary Members and Regional Members of the Board shall be elected for a term not exceeding three years nor less than one year.

Trustee induction and training

All new Trustees receive an induction pack including the By-laws and Regulations of the Institution, recent minutes of meetings, and the relevant Charity Commission publications outlining their roles and responsibilities as a Charity Trustee. Trustees are also encouraged to attend appropriate external training events where these will facilitate the undertaking of their role. An annual Trustee induction day is held for all new and existing Trustees to get an oversight of the structure of the Institution and its activities.

Trustees have a legal duty to avoid conflicts of interest so that they can focus exclusively on the best interests of the Institution. The Institution maintains a register of interests, which is updated annually or when any changes are reported by Trustees. Procedures are in place for managing conflicts of interest that may arise during Trustee meetings.

Institution structure

The Board of Trustees is the governing body of the Institution and has ultimate responsibility for the strategic direction and for ensuring that the charitable objects set out in the governing document are met. The Board of Trustees meets at least six times a year to review performance against these objects.

The Chief Executive is appointed by the Board of Trustees and has delegated authority for the day to day operation of the Institution and its subsidiary undertakings. The Chief Executive is supported by the Senior Management Team.

The Institution's operations in Australia, Malaysia, New Zealand and Singapore, reported as subsidiary undertakings in the financial statements, each have their own local Boards operating under delegated authority from the Board of Trustees and in compliance with local regulatory requirements.

The Institution has a wholly owned trading subsidiary in the UK, IChemE Ltd, established to operate the sale of advertising space in the Institution's journals and publications. The company gift aids its taxable profits to the Institution.

Congress is the newly established advisory body serving as a link between the Institution's members and the Board of Trustees. Congress consists of up to forty members, all members of the Institution, who are nominated and elected by their peers from a functional or geographical college. The functional college consists of up to 15 representatives to broadly reflect the Institution's membership across the various grades. The regional college consists of up to 25 representatives to reflect the geographical footprint of the Institution's membership. Congress members are elected for a term of three years, renewable up to a maximum term of six years.

The Congress Steering Group is responsible for the oversight and facilitation of the conduct of Congress and the engagement of Congress members. The Steering Group consists of the Congress Chair, Vice-Chair, the Chief Executive and a designated Trustee lead.

Congress will hold up to six sessions a year, five of which will be held as online open forums and each lasting up to thirty days. The agenda for the sessions is determined by the Chair of Congress in consultation with the Congress Steering Group.

In addition to Congress and the local Boards, there are a number of standing Committees operating under delegated authority from the Board of Trustees which have been established to facilitate the operation of the charity. The structure of the standing Committees was reviewed as part of the governance reform and the key Committees reporting into the Board of Trustees from May 2018 are:

- Qualifications Committee
- Learned Society Committee
- Governance Panel
- Communications Panel
- Commercial Panel
- Finance & HR Committee
- Audit and Risk Committee
- Nominations Committee
- Disciplinary Committee
- Appeals Committee

The Institution also has an extensive network of National, Regional and Special Interest Groups enabling members to get involved in the Institution's activities. Each group has its own committee, made up of members of the Institution, who meet regularly throughout the year. The activities conducted by the Groups include technical meetings, continuing professional development, school liaison visits, and networking events.

The Terms of Reference, which include the delegated powers and membership of the Boards, Committees and Panels are set by the Board of Trustees and reviewed regularly.

Staff participation is encouraged at all levels in the making of decisions which affect the Institution's management and future development. Formal meetings are held to update all staff on the Institution's activities and other emerging issues.

Volunteers

All Trustees and the various members of boards, committees and panels give their time on a voluntary basis. The voluntary effort and contribution on the part of the members is at the heart of the Institution's success.

Remuneration policy for key management personnel

The Institution considers its key management personnel to comprise the Board of Trustees, the Chief Executive and the Senior Management Team. All Trustees give their time freely and no Trustee received remuneration in the year. Details of Trustees' expenses and related party transactions can be found in note 8 and 21 to the accounts.

The pay of the Chief Executive and Senior Management Team is set by the Finance & HR Committee in line with the Institution's Remuneration Policy.

The Institution is committed to ensuring that it pays its staff fairly and in a way which ensures it attracts and retains appropriately qualified staff to lead, manage, support and deliver the Institution's charitable objects.

The objective of the Policy is to ensure that the Chief Executive and staff team are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Institution.

The Policy is based on an aspiration to be the exemplary membership organisation of its type and an articulate advocate of chemical engineering. In determining remuneration levels, the Committee take into account all factors which are deemed necessary.

The Committee secure professional advice where appropriate to establish appropriate benchmark levels for each position or group of positions. These benchmark rates are reviewed regularly. When inflation is relatively low this review may not be annual and so an interim inflationary adjustment to the benchmark salary level may be made. New staff will normally be appointed between 80% and 100% of the benchmark rate for their position depending on prior experience and the calibre of the appointee. They should expect to advance to the benchmark levels by approximately five percentage points a year assuming a fully satisfactory performance.

The Institution does not employ interns without pay and it complies with the living wage for all staff.

In addition to financial remuneration, the Institution seeks to provide staff with a supportive working environment and wherever possible works to promote the wellbeing of staff and satisfactory work-life balance.

The appropriateness and relevance of the Remuneration Policy is reviewed annually by the Committee.

Risk management

The Trustees are responsible for overseeing risk management across the organisation and for maintaining a sound system of internal control that supports the achievement of its strategic aims and objectives. The Audit & Risk Committee is responsible for assessing the effectiveness of risk management and internal controls across the organisation, and for reviewing the Institution's risk policy on an annual basis.

A strategic and operational risk register is maintained by the senior executive team and is formally reviewed on a quarterly basis. The risk register involves identifying the types of risk the Institution faces, both internally and externally, prioritising them in terms of potential impact, likelihood and reputational impact, and identifying means of mitigating those risks or minimising the impact on the Institution should those risks materialise. The risk owners report annually on the adequacy and effectiveness of the control measures in place. The Audit & Risk Committee regularly review the risk registers, concentrating on the significant strategic risks and their control measures.

A full business case, including a risk log, is populated as part of IChemE's project management process for all new ventures and activities. The risk log is maintained by the project leader and reviewed by the senior executive team.

The business planning and budgeting cycle is used to set objectives for the following three years, agree action plans, allocate resources, and to identify new risks or changes in existing risks or their control measures. Progress towards meeting the objectives and annual budget is monitored on a monthly basis by the Senior Management Team.

A number of internal policies and procedures form part of the internal control process which are reviewed on a regular cycle. These include policies and procedures for Finance, HR, IT, Data Protection, Health & Safety, Conflicts of Interest, Corporate Gifts and Hospitality, Anti-Bribery and Corruption, and Acceptance and Refusal of Donations.

The Trustees receive an annual report from the Audit & Risk Committee highlighting the top strategic and operational risks. Key changes in risk items will also be reported to the Trustees as required.

Risks are categorised between governance and management risks, compliance risks, operational risks, financial risks, reputational risks and external risks.

The top risks identified in the risk register in 2018 were:

<i>Risk</i>	<i>Mitigation measure</i>
Governance Reform fails to deliver intended benefits / potential conflict or divergence of thinking between the Board of Trustees and Congress.	Board and Committee structure reviewed, together with Terms of Reference to clarify relationship, reporting structure and delegated authority. Congress Steering Group established to provide oversight and a link to the Board of Trustees.
Insufficient IT capability to deliver the strategy.	IT Transformation Programme approved by Board of Trustees for implementation 2019-2021. Programme Manager to be appointed to bring in required skillset to manage projects and their inter-dependencies.
Lack of convincing member proposition leading to decline in membership applications or increase in membership lapsing.	Programme SMART underway to review value proposition for members. Increased investment in Learned Society to bolster value proposition. Congress established to engage with membership and act as an advisory body to the Board of Trustees.
Non-compliance with GDPR legislation.	Project plan in place to establish policies and procedures to comply with GDPR legislation. Training for all staff and data champions created across the organisation. Further training to be rolled out to volunteers. Implementation of IT transformation programme will improve ability to manage GDPR compliance.
Impact of the defined benefit pension scheme on future cashflows.	The Scheme has been closed to future accruals and new entrants since 2006. A revised recovery plan was agreed with the Pension Scheme Trustees as part of the triennial valuation in 2018. Annual contributions will remain at current levels (increasing in line with CPI) until January 2028 and a lump sum payment of £1.15m was paid into the Scheme in December 2018. The lump sum payment will be used to de-risk the investment funds of the Scheme further by investing in Liability Driven Investments to minimise any negative movement in the value of the Scheme's liabilities reducing the potential for the deficit to increase.

The Trustees are satisfied that reasonable steps are being taken to limit the probability and the impact of risk.

Fundraising

The Institution does not actively undertake any fundraising activities from the general public or use the services of professional fundraisers or commercial participators.

The Institution is not bound by any regulatory scheme and is not subject to any voluntary code of practice regulating fundraising.

No complaints have been received by the Institution in relation to fundraising activities.

Statement of Trustees' responsibilities

The Trustees are responsible for preparing the trustees' annual report and the financial statements in accordance with applicable law and regulations.

Charity law requires the Trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Charity law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and charity and of the incoming resources and application of resources, including the income and expenditure, of the group and charity for that period.

In preparing those financial statements, the Trustees are required to:

- select suitable accounting policies and then applies them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Institution will continue its activities.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006. 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 Board of Trustees on 11 April 2019 and signed on its behalf by:



Mr KJ Rivers
President



Mr IJ Martin
Honorary Treasurer

Davis Building
165-189 Railway Terrace
Rugby
CV21 3HQ

Independent Auditor's Report to the Trustees of the Institution of Chemical Engineers

Opinion

We have audited the financial statements of the Institution of Chemical Engineers (the 'charity')(the 'parent charity') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise Consolidated and Charity Statements of Financial Activities, the Group and Charity Balance Sheets, the Consolidated and Charity Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charity's affairs as at 31 December 2018 and of the group's and parent charity's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Charities Act 2011.

Basis for opinion

We have been appointed auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under section 151 of the Charities Act 2011 and report in accordance with regulations made under those Acts.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or parent charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Charities Act 2011 require us to report to you if, in our opinion:

- the information given in the Trustees' Report is not consistent in any material respect with the financial statements; or
- proper and sufficient accounting records have not been kept by the parent charity; or
- the parent charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' responsibilities set out on page 17, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group and parent charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or parent charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of this report

This report is made solely to the charity's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP
Statutory Auditor
St Philips Point
Temple Row
Birmingham
B2 5AF

Date 11 April 2019

RSM UK Audit LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Consolidated statement of financial activities for the year ended 31 December 2018

	Notes	Unrestricted Funds £000	Restricted Funds £000	Total 2018 £000	Unrestricted Funds £000	Restricted Funds £000	Total 2017 £000
INCOME							
Donations & legacies	3	210	13	223	131	-	131
Charitable activities:							
Qualifying Chemical Engineers		3,873	-	3,873	3,765	-	3,765
Operating a Learned Society for Chemical Engineers		4,138	27	4,165	3,636	29	3,665
Other trading activities:							
Trading operations	2	223	-	223	212	-	212
Other operating income	2	-	-	-	-	-	-
Investments	5	98	-	98	101	-	101
TOTAL INCOME		8,542	40	8,582	7,845	29	7,874
EXPENDITURE ON							
Raising funds:							
Trading operations	2	(128)	-	(128)	(117)	-	(117)
Investment management costs		(66)	-	(66)	(68)	-	(68)
Charitable activities:							
Qualifying Chemical Engineers		(2,891)	-	(2,891)	(2,716)	-	(2,716)
Operating a Learned Society for Chemical Engineers		(5,231)	(70)	(5,301)	(4,631)	(271)	(4,902)
TOTAL EXPENDITURE		(8,316)	(70)	(8,386)	(7,532)	(271)	(7,803)
Net (losses) / gains on investments	11	(397)	-	(397)	247	-	247
NET INCOME / (EXPENDITURE)		(171)	(30)	(201)	560	(242)	318
Transfer between funds	17	-	-	-	402	(402)	-
Actuarial gains on defined benefit pension schemes	22	389	-	389	253	-	253
NET MOVEMENT IN FUNDS		218	(30)	188	1,215	(644)	571
Fund balances brought forward at 1 January		2,384	1,348	3,732	1,169	1,992	3,161
Fund balances carried forward at 31 December		2,602	1,318	3,920	2,384	1,348	3,732

The results relate to the continuing activities of the Institution. The group has no recognised gains or losses other than the net movement in funds for the year.

The notes on pages 24 to 39 form part of these financial statements.

Charity statement of financial activities for the year ended 31 December 2018

	<i>Notes</i>	Unrestricted Funds £000	Restricted Funds £000	Total 2018 £000	Unrestricted Funds £000	Restricted Funds £000	Total 2017 £000
INCOME							
Donations & legacies	3	210	13	213	131	-	131
Gift aid from subsidiary company	2	95	-	95	95	-	95
Charitable activities:							
Qualifying Chemical Engineers		3,268	-	3,268	3,166	-	3,166
Operating a Learned Society for Chemical Engineers		3,084	27	3,111	2,713	29	2,742
Investments	5	98	-	98	101	-	101
TOTAL INCOME		6,755	40	6,795	6,206	29	6,235
EXPENDITURE ON							
Raising funds:							
Investment management costs		(66)	-	(66)	(68)	-	(68)
Charitable activities:							
Qualifying Chemical Engineers		(2,695)	-	(2,695)	(2,453)	-	(2,453)
Operating a Learned Society for Chemical Engineers		(4,176)	(70)	(4,246)	(3,707)	(271)	(3,978)
TOTAL EXPENDITURE		(6,937)	(70)	(7,007)	(6,228)	(271)	(6,499)
Net (losses) / gains on investments	11	(397)	-	(397)	247	-	247
NET INCOME / (EXPENDITURE)		(579)	(30)	(609)	225	(242)	(17)
Transfer between funds	17	-	-	-	402	(402)	-
Actuarial gains on defined benefit pension schemes	22	389	-	389	253	-	253
NET MOVEMENT IN FUNDS		(190)	(30)	(220)	880	(644)	236
Fund balances brought forward at 1 January		1,027	1,348	2,375	147	1,992	2,139
Fund balances carried forward at 31 December		837	1,318	2,155	1,027	1,348	2,375

Balance sheets at 31 December 2018

	<i>Note</i>	2018	Group	2018	Charity
		2017		2017	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10	975	1,057	964	1,041
Investments	11	5,210	6,825	5,210	6,825
		<u>6,185</u>	<u>7,882</u>	<u>6,174</u>	<u>7,866</u>
Current assets					
Debtors	12	1,418	1,198	1,505	1,172
Cash at bank and in hand		2,889	2,459	658	684
		<u>4,307</u>	<u>3,657</u>	<u>2,163</u>	<u>1,856</u>
Creditors: Amounts falling due within one year	13	(2,876)	(2,382)	(2,486)	(1,922)
Net current assets / (liabilities)		1,431	1,275	(323)	(66)
Provisions for liabilities	14	-	(81)	-	(81)
		<u>1,431</u>	<u>1,194</u>	<u>(323)</u>	<u>(147)</u>
Pension scheme funding deficit	22	(3,696)	(5,344)	(3,696)	(5,344)
Total net assets after pension deficit		3,920	3,732	2,155	2,375
		<u><u>3,920</u></u>	<u><u>3,732</u></u>	<u><u>2,155</u></u>	<u><u>2,375</u></u>
Income Funds					
Unrestricted funds					
General funds		5,298	7,728	3,533	6,371
Designated funds	18	1,000	-	1,000	-
Pension reserve	22	(3,696)	(5,344)	(3,696)	(5,344)
		<u>2,602</u>	<u>2,384</u>	<u>837</u>	<u>1,027</u>
Restricted funds	17	1,318	1,348	1,318	1,348
Total funds		3,920	3,732	2,155	2,375
		<u><u>3,920</u></u>	<u><u>3,732</u></u>	<u><u>2,155</u></u>	<u><u>2,375</u></u>

These financial statements were approved by the Board of Trustees and authorised for issue on 11 April 2019.



Mr K Rivers
President



Mr I Martin
Honorary Treasurer

Consolidated cash flow statement for the year ended 31 December 2018

	<i>Note</i>	2018 £000	2017 £000
Cash flows from operating activities	<i>20</i>	(749)	(226)
Cash flows from investing activities:			
Dividends and interest from investments	<i>5</i>	98	101
Purchase of fixed asset investments	<i>11</i>	(98)	(101)
Disposal of fixed asset investments	<i>11</i>	1,250	-
Purchase of furniture and equipment	<i>10</i>	(10)	(25)
Net cash provided by / (used in) investing activities		1,240	(25)
Change in cash and cash equivalents in the reporting period		491	(251)
Cash and cash equivalents at the start of the reporting period		2,459	2,740
Change in cash and cash equivalents due to exchange rate movements		(61)	(30)
Cash and cash equivalents at the end of the reporting period		2,889	2,459

Charity cash flow statement for the year ended 31 December 2018

	<i>Note</i>	2018 £000	2017 £000
Cash flows from operating activities	<i>20</i>	(1,274)	(342)
Cash flows from investing activities:			
Dividends and interest from investments	<i>5</i>	98	101
Purchase of fixed asset investments	<i>11</i>	(98)	(101)
Disposal of fixed asset investments	<i>11</i>	1,250	-
Purchase of furniture and equipment	<i>10</i>	(3)	(16)
Net cash provided by / (used in) investing activities		1,247	(16)
Change in cash and cash equivalents in the reporting period		(27)	(358)
Cash and cash equivalents at the start of the reporting period		684	1,042
Change in cash and cash equivalents due to exchange rate movements		1	-
Cash and cash equivalents at the end of the reporting period		658	684

Notes forming part of the financial statements for the year ended 31 December 2018

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP (FRS 102)); and the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

The financial statements are presented in Sterling (£).

The Institution meets the definition of a public benefit entity as defined by FRS 102.

Preparation of the accounts on a going concern basis

The Trustees consider that there are no material uncertainties about the Institution's ability to continue as a going concern.

In arriving at this decision, the Trustees have taken into account the group's financial performance, operational budgets for the period 2019 to 2021, and the reserves position as at 31 December 2018. The Trustees therefore consider it appropriate to continue to prepare the financial statements on a going concern basis.

The principal accounting policies adopted by the Institution are set out below:

Basis of consolidation

The financial statements consolidate the financial statements of the charity, its wholly owned UK trading subsidiary IChemE Ltd and its not-for-profit subsidiaries IChemE in Australia, IChemE in Malaysia, IChemE in New Zealand and IChemE in Singapore Ltd, by virtue of the control exercised by the charity. The results of the subsidiaries are consolidated on a line by line basis. The results of the subsidiaries are summarised in note 2 of the financial statements.

Income

Income is recognised when the Institution has entitlement to the income, any performance conditions attached to the income have been met, it is probable that the income will be received, and the amount can be measured reliably.

Donations are recognised when the Institution has entitlement to the funds, it is probable that the income will be received, and the amount can be measured reliably.

Legacy gifts are recognised on a case by case basis following the granting of probate when the administrator of the estate has communicated in writing both the amount and settlement date. In the event that the gift is in the form of an asset other than cash or financial asset traded on a recognised stock exchange, recognition is subject to the value of the gift being reliably measurable with a degree of reasonable accuracy and the title to the asset having been transferred to the charity.

Subscriptions and events income are accounted for in the year to which they apply. Subscription income received during the year that relates to a subsequent financial accounting period is carried forward as a creditor in the balance sheet and shown as deferred income.

Interest and dividends on investments are accounted for when receivable.

Expenditure

Liabilities are recognised as expenditure as soon as there is a legal and constructive obligation committing the Institution to the expenditure, it is probable that settlement will be required, and the amount of the obligation can be measured reliably.

All expenditure is included in the statement of financial activities on an accruals basis.

1 Accounting policies (continued)

Expenditure is recorded net of value added tax unless irrecoverable.

All expenditure, including support costs, are allocated or apportioned to the applicable expenditure headings in the statement of financial activities.

Allocation of support and governance costs

Governance costs comprise all costs involving the public accountability of the charity and its compliance with regulation and good practice.

Governance and support costs relating to charitable activities have been apportioned on the basis of staff costs associated with each activity. The allocation of support and governance costs is analysed in note 7.

Operating leases

Operating lease rentals are charged to the statement of financial activities on a straight line basis over the terms of the lease.

Tangible fixed assets and depreciation

Fixed assets are recorded at cost or valuation, net of depreciation and any provision for impairment. Expenditure on individual fixed assets costing over £2,500 is capitalised.

Depreciation is charged on a straight line basis to write off the cost or valuation less the estimated residual value of assets over their estimated useful lives as at the following rates:

Freehold buildings	-	5%
Leasehold buildings	-	20%
Office equipment	-	15%
Computer software	-	33%

Freehold land is not depreciated.

Freehold property at Rugby was valued on the basis of open fair value for their existing use by Chartered Surveyors in 1999. Depreciation is charged on the building element of property at Rugby at the rate of 5% per annum.

Investments

Fixed asset investments are initially recorded at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing bid price. The statement of financial activities includes the net gains or losses arising on revaluation and disposals throughout the year.

Realised gains or losses on investments are calculated as the difference between the sales proceeds and their fair value at 31 December (or historical cost if purchased within the year). Unrealised gains or losses are derived from the movement in fair values during the year.

The Institution does not acquire put options, derivatives or other complex financial instruments.

Fund accounting

The Institution has different types of funds which require separate disclosure. These are as follows:

▪ Restricted income funds

These are earmarked by the donor for specific purposes within the overall aims of the Institution. The income generated must be used in accordance with the specific purpose.

▪ Unrestricted funds

Unrestricted funds comprise funds which are expendable at the discretion of the Board of Trustees in connection with the objects of the Institution.

Foreign exchange gains and losses

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken through the statement of financial activities.

1 Accounting policies (continued)

Pension costs

Employees of the charity are entitled to join a group personal pension plan. This is a defined contribution pension scheme with assets held in the names of the individual members and managed by Standard Life Assurance Co Ltd. The charity contribution is restricted to the contributions disclosed in note 22. The costs of the defined contribution scheme are included within staff costs and are charged to the statement of financial activities in the year in which they become payable.

The charity also operates a defined benefit pension scheme. The scheme was closed to new members and future service accruals in 2006. The assets of the scheme are held separately from those of the Institution in an independently administered fund.

The difference between the fair value of the assets held in the defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the balance sheet as a pension asset or liability as appropriate. Changes in the defined pension scheme asset or liability arising from factors other than cash contribution by the Institution are charged to the Statement of Financial Activities in accordance with FRS 102.

Provisions

Provisions are recognised when the Institution has a present obligation, legal or constructive, as a result of a past event, it is probable that the Institution will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Financial instruments

Financial assets, other than fixed asset investments, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the Trustees are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and underlying assumptions are continually reviewed.

The following are critical judgements that the Trustees have made in the process of applying the Institution's accounting policies:

- determining whether leases entered into by the group either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Other key sources of estimation uncertainty:

- Tangible fixed assets (see note 10). Tangible fixed assets are depreciated over their useful lives taking into account residual values where appropriate. The actual lives of these assets are assessed annually and may vary depending on a number of factors. In assessing asset lives, factors such as life cycle and maintenance programmes are taken into account. Residual value assessments consider issues such as the remaining life of the asset and project disposal values.
- Trade debtors (see note 12). At each reporting date, trade debtors are assessed for recoverability. If there is any evidence of impairment, the carrying amount of the debtor is reduced to its recoverable amount. The impairment loss is recognised immediately in the income statement.
- Pensions costs (see note 22). The defined benefit pension scheme obligations are based on actuarial assumptions such as discount rate, the expected rate of return on scheme assets, and mortality rates, which are extensively detailed in note 22.

2 Results of subsidiaries

The summary financial performance and position of the subsidiaries is shown below:

	IChemE Ltd	IChemE in Australia	IChemE in Malaysia	IChemE in New Zealand	IChemE in Singapore Ltd	2018 Total	2017 Total
	£000	£000	£000	£000	£000	£000	£000
Income	223	1,203	199	258	-	1,883	1,733
Expenditure	(128)	(842)	(118)	(221)	(2)	(1,311)	(1,270)
Net Income / Expenditure	95	361	81	37	(2)	572	463
Amount gift aided to the Institution	(95)	-	-	-	-	(95)	(95)
Retained in subsidiary	-	361	81	37	(2)	477	368

Balance sheets

	IChemE Ltd	IChemE in Australia	IChemE in Malaysia	IChemE in New Zealand	IChemE in Singapore Ltd	2018 Total	2017 Total
	£000	£000	£000	£000	£000	£000	£000
Fixed assets	-	9	1	1	-	11	16
Current assets	158	2,132	157	219	-	2,666	2,208
Current liabilities	(158)	(502)	(182)	(60)	(10)	(912)	(868)
Net current assets	-	1,630	(25)	159	(10)	1,754	1,340
Total net assets	-	1,639	(24)	160	(10)	1,765	1,356

IChemE Ltd (company number 2817128) is a company limited by shares, incorporated in the United Kingdom.

IChemE in Australia (ABN 75112253040) is a registered charity in Australia.

IChemE in Malaysia (PPM-026-14-23111988) is a registered society in Malaysia.

IChemE in New Zealand (society number 980425) is an incorporated society in New Zealand.

IChemE in Singapore Ltd (201523087E) is a company limited by guarantee in Singapore.

3 Income from donations and legacies

Group and Charity	2018 £000	2017 £000
Donations	73	31
Legacies	150	100
	223	131

4 Analysis of income from charitable activities

	Group		Charity	
	2018	2017	2018	2017
	£000	£000	£000	£000
<i>Qualifying Chemical Engineers:</i>				
Membership subscription and accreditation fees	3,873	3,765	3,268	3,166
<i>Operating a Learned Society for Chemical Engineers:</i>				
Journals & publications	1,009	957	1,009	957
Knowledge communities	395	386	106	93
Conferences, seminars & events	812	572	514	480
Provision of training	1,891	1,685	1,424	1,150
Other income	31	36	31	33
Subscriptions to technical centres (restricted funds)	27	29	27	29
	<u>8,038</u>	<u>7,430</u>	<u>6,379</u>	<u>5,908</u>

5 Investment income

Group and Charity	2018	2017
	£000	£000
Interest receivable	9	11
Dividends receivable	89	90
	<u>98</u>	<u>101</u>

6 Analysis of expenditure on charitable activities

Group	Direct activity costs	Support costs	2018 Total	2017 Total
	£000	£000	£000	£000
Qualifying Chemical Engineers	1,747	1,144	2,891	2,716
Operating a Learned Society for Chemical Engineers	3,899	1,402	5,301	4,902
	<u>5,646</u>	<u>2,546</u>	<u>8,192</u>	<u>7,618</u>

Expenditure on charitable activities was £8,192,000 (2017: £7,618,000) of which £8,122,000 was unrestricted (2017: £7,347,000) and £70,000 was restricted (2017: £271,000).

Charity	Direct activity costs	Support costs	2018 Total	2017 Total
	£000	£000	£000	£000
Qualifying Chemical Engineers	1,646	1,049	2,695	2,453
Operating a Learned Society for Chemical Engineers	3,008	1,238	4,246	3,978
	<u>4,654</u>	<u>2,287</u>	<u>6,941</u>	<u>6,431</u>

6 Analysis of expenditure on charitable activities (continued)

Net income for the year is stated after charging / (crediting):

	Group		Charity	
	2018	2017	2018	2017
	£000	£000	£000	£000
Depreciation	92	106	80	94
Operating leases:				
Plant and machinery	18	18	15	15
Land and buildings	229	240	182	189
Exchange rate differences	(61)	16	7	(18)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

7 Analysis of governance and support costs

Included within expenditure on charitable activities are governance and support costs amounting to £2,546,000 (2017: £2,242,000). These are analysed as:

	Group		Charity	
	2018	2017	2018	2017
	£000	£000	£000	£000
Staff costs	1,077	1,005	978	904
Finance	225	121	155	92
IT	373	210	358	199
Facilities & HR	622	710	567	641
Management	146	67	137	63
Governance costs	103	129	92	119
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	2,546	2,242	2,287	2,018
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Finance costs for the group include exchange differences arising on the translation of the assets and liabilities of the Institution's overseas subsidiaries from their functional currency to sterling (£) using the closing exchange rate. The total amount included in finance costs was an exchange loss of £68,000 (2017: £34,000).

The governance and support costs have been apportioned across the charitable activities on the basis of staff time associated with each activity. The charge to each activity was as follows:

	Group		Charity	
	2018	2017	2018	2017
	£000	£000	£000	£000
Qualifying Chemical Engineers	1,144	1,058	1,049	967
Operating a Learned Society for Chemical Engineers	1,402	1,184	1,238	1,051
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	2,546	2,242	2,287	2,018
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Analysis of governance costs:

	Group		Charity	
	2018	2017	2018	2017
	£000	£000	£000	£000
External audit	25	25	24	17
General meeting costs	25	21	17	20
Legal & professional fees	29	83	27	82
Governance reform	24	-	24	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	103	129	92	119
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

8 Analysis of trustee remuneration and expenses

Group and Charity	2018 £000	2017 £000
Expenses paid to or on behalf of 17 (2017: 12) Trustees in respect of travel, subsistence and accommodation costs	52	27

The Trustees give freely their time and expertise without any form of remuneration or other benefit in cash or kind (2017: £nil).

9 Analysis of staff costs and remuneration to key management personnel

The average monthly headcount for the group and charity during the year was 97 (2017: 96). The number of full time equivalent persons employed by the group and charity during the year was as follows:

	Group 2018	2017	Charity 2018	2017
Qualifying Chemical Engineers	30	31	25	27
Operating a Learned Society for Chemical Engineers	33	31	27	25
Management and Administration	25	24	23	22
	88	86	75	74

The aggregate payroll costs of these persons were as follows:

	Group 2018 £000	2017 £000	Charity 2018 £000	2017 £000
Wages and salaries	3,066	3,035	2,594	2,509
Social security costs	262	252	261	251
Pension scheme contributions	274	283	226	232
Defined benefit pension scheme operating costs	83	67	83	67
Employee benefits	43	42	43	41
	3,728	3,679	3,207	3,100

During 2018, £80,000 (2017: £29,000) was paid out as redundancy or termination payments.

The numbers of employees, including the Chief Executive, whose total employee benefits, excluding employer pension contributions, exceeded £60,000, fell within the following ranges:

	Group 2018	2017	Charity 2018	2017
£60,001 - £70,000	-	2	-	1
£70,001 - £80,000	-	2	-	2
£80,001 - £90,000	3	1	3	1
£90,001 - £100,000	1	2	-	1
£100,001 - £110,000	2	1	1	-
£160,001 - £170,000	-	1	-	1
£180,001 - £190,000	1	-	1	-

The number of employees who earned more than £60,000 for whom pension benefits are accruing under the defined contribution pension scheme is 5 (2017: 7). Contributions in respect of these employees amounted to £60,000 (2017: £62,000).

The Institution considers its key management personnel to comprise the Board of Trustees, the Chief Executive and the Senior Management Team. The total employment benefits of 7 (2017: 8) key management personnel staff, including employer pension contributions and employer's national insurance, were £824,000 (2017: £871,000).

10 Tangible fixed assets

Group	Freehold Property	Short leasehold property	Office equipment	Computers	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At beginning of year	1,800	220	287	496	2,803
Additions	-	-	-	10	10
Disposals	-	(202)	(72)	(26)	(300)
At end of year	1,800	18	215	480	2,513
Depreciation					
At beginning of year	775	220	279	472	1,746
Charge for the year	76	-	5	11	92
Disposals	-	(202)	(72)	(26)	(300)
At end of year	851	18	212	457	1,538
<i>Net book value</i>					
At 31 December 2018	949	-	3	23	975
At 31 December 2017	1,025	-	8	24	1,057
Charity	Freehold Property	Short leasehold property	Office equipment	Computers	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At beginning of year	1,800	202	287	445	2,734
Additions	-	-	-	3	3
Disposals	-	(202)	(72)	(22)	(296)
At end of year	1,800	-	215	426	2,441
Depreciation					
At beginning of year	775	202	279	437	1,693
Charge for the year	76	-	5	(1)	80
Disposals	-	(202)	(72)	(22)	(296)
At end of year	851	-	212	414	1,477
<i>Net book value</i>					
At 31 December 2018	949	-	3	12	964
At 31 December 2017	1,025	-	8	8	1,041

Freehold property at 31 December 2018 includes land at valuation of £280,000 (2017 £280,000) which is not depreciated.

11 Fixed asset investments

Group and Charity	2018 £000	2017 £000
Fair value at 1 January	6,825	6,545
Acquisitions at cost	3,190	1,217
Proceeds of disposals	(4,408)	(1,184)
Net (loss) / gain on revaluation	(397)	247
Fair value at 31 December	5,210	6,825
Historical cost at 31 December	3,698	4,916

All investments are carried at their fair value. An analysis of the fair value of the investments at 31 December 2018 is as follows:

Group and Charity	2018 £000	2017 £000
Equities	2,919	3,905
Fixed Interest	1,406	1,809
Cash	542	826
Other	343	285

Investments in Subsidiaries

The Charity holds 2 shares of £1 each in its wholly owned trading subsidiary company IChemE Ltd which is incorporated in the United Kingdom. These are the only shares allotted, called up and fully paid. The activities and results of this company is summarised in note 2.

12 Debtors

	Group		Charity	
	2018 £000	2017 £000	2018 £000	2017 £000
Trade debtors	736	697	643	479
Amount due from subsidiaries	-	-	272	254
Other debtors	28	31	40	38
Prepayments and accrued income	654	470	550	401
	1,418	1,198	1,505	1,172

13 Creditors: amounts falling due within one year

	Group		Charity	
	2018 £000	2017 £000	2018 £000	2017 £000
Trade creditors	355	253	340	242
Amount due to subsidiaries	-	-	200	96
Other creditors	197	156	107	63
Taxation and social security	96	105	65	64
Accruals	320	246	284	219
Deferred income	1,908	1,622	1,490	1,238
	2,876	2,382	2,486	1,922

Deferred income relates to annual subscriptions payments and events income which have been paid to the Institution in advance. All deferred income is released to the statement of financial activities in the following year.

14 Provisions for liabilities

	Group		Charity	
	2018	2017	2018	2017
	£000	£000	£000	£000
At 1 January	81	41	81	41
Additional provisions in the year	-	40	-	40
Amounts paid in the year	(69)	-	(69)	-
Transferred to Statement of Financial Activities	(12)	-	(12)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	-	81	-	81
	<hr/>	<hr/>	<hr/>	<hr/>

Dilapidation expenses of £69,000 (2017: £nil) were realised in 2018 relating to the leasehold premises in London. The remaining provision of £12,000 (2017: £nil) was released to the Statement of Financial Activities.

15 Commitments

Total future commitments under non-cancellable operating leases are as follows:

Group	2018		2017	
	Land and buildings	Other	Land and Buildings	Other
	£000	£000	£000	£000
Amounts falling due:				
In less than one year	64	13	231	18
In the second to fifth years inclusive	121	-	28	13
	<hr/>	<hr/>	<hr/>	<hr/>
	185	13	259	31
	<hr/>	<hr/>	<hr/>	<hr/>
Charity	2018		2017	
	Land and buildings	Other	Land and Buildings	Other
	£000	£000	£000	£000
Amounts falling due:				
In less than one year	20	13	184	15
In the second to fifth years inclusive	47	-	7	13
	<hr/>	<hr/>	<hr/>	<hr/>
	67	13	191	28
	<hr/>	<hr/>	<hr/>	<hr/>

A first charge of £500,000 was placed on the freehold premises at Rugby in favour of the Defined Benefit Pension Scheme in March 2017.

16 Financial instruments

	Group		Charity	
	2018	2017	2018	2017
	£000	£000	£000	£000
Financial assets				
Financial assets measured at fair value	5,210	6,825	5,210	6,825
Financial assets measured at amortised cost	764	728	955	771
	<hr/>	<hr/>	<hr/>	<hr/>
Financial liabilities				
Financial liabilities measured at amortised cost	872	655	931	620
	<hr/>	<hr/>	<hr/>	<hr/>

Financial assets measured at fair value comprise fixed asset investments. Financial assets measured at amortised cost comprise trade debtors, other debtors and amounts owed by subsidiary companies. Financial liabilities measured at amortised cost comprise trade creditors, other creditors, amounts owed to subsidiary companies and accruals.

17 Analysis of movements in restricted funds

Group and Charity	International Process Safety Group (IPSG) £000	MM Sharma Award £000	John Collier Memorial Fund £000	Andrew Legacy Fund £000	Total £000
At 1 January 2018	58	-	37	1,253	1,348
Income	27	13	-	-	40
Expenditure	(28)	-	(2)	(40)	(70)
Transfer between funds	-	-	-	-	-
At 31 December 2018	57	13	35	1,213	1,318

The IPSG funds relates to an industry funded technical centre which is administered in accordance with its Statute.

In 2018, the Institution received a donation of £13,000 from the JB Joshi Foundation which is to be used for the creation of a new award, to be known as the MM Sharma Award, for excellence in the field of chemical engineering. An award of £1,000 will be made annually to the winner(s) of the medal, and the donation will also be used to fund administration expenses of up to £250 a year.

The John Collier Memorial Fund seeks to have a two yearly Lecture and Medal ceremony. The capital and the income generated are to be used to fund the award and lectures in perpetuity.

The Andrew Legacy Fund seeks to hold an annual medal lecture on the theme of ‘The Science of Formulation of Heterogeneous Catalysts’ and to support academic research in enhancing the science of formulation of heterogeneous catalysts. The Institution has set up the Andrew Fellowship which funds up to two early career researchers a year to undertake research in the field of Heterogeneous Catalysts. The Fellowship consists of a stipend of £10,000 a year plus £5,000 a year in expenses for a period of up to four years. The majority of the Fund balance was transferred to investments in 2012. The income and unrealised gains on the investment fund was incorrectly allocated to restricted funds in the financial statements for 2012 to 2016 and was corrected by way of a transfer of £347,000 to unrestricted funds in 2017.

18 Analysis of movements in unrestricted designated funds

Group and Charity	IT Transformation Programme £000	Total £000
At 1 January 2018	-	-
Income	-	-
Expenditure	-	-
Transfer between funds	1,000	1,000
At 31 December 2018	1,000	1,000

In 2018, the Trustees agreed to invest in an IT Transformation Programme over the next two to three year period, with an estimated total cost of £1,000,000. The Programme is made up of a number of projects to improve the Institution’s IT services and to deliver the digitalisation strategy.

As the cost of the Programme cannot be met from the annual income over this period, the Trustees agreed to fund the Programme from reserves and transferred a sum of £1,000,000 from the general reserves fund into a designated fund for this purpose.

By creating a designated fund this will ensure that the funds are available for the Programme as required and will also provide greater transparency in the financial statements as expenditure against the Programme is incurred.

19 Analysis of group and charity net assets between funds

Fund balances at 31 December 2018 are represented by:

Group	Unrestricted funds £000	Restricted Funds £000	Total £000
Tangible fixed assets	975	-	975
Investments	4,070	1,140	5,210
Pension scheme funding deficit	(3,696)	-	(3,696)
Net current assets / (liabilities)	1,253	178	1,431
Provision for liabilities	-	-	-
	<hr/>	<hr/>	<hr/>
Total net assets	2,602	1,318	3,920
	<hr/>	<hr/>	<hr/>
 Charity	 Unrestricted funds £000	 Restricted Funds £000	 Total £000
Tangible fixed assets	964	-	964
Investments	4,070	1,140	5,210
Pension scheme funding deficit	(3,696)	-	(3,696)
Net current assets / (liabilities)	(501)	178	(323)
Provision for liabilities	-	-	-
	<hr/>	<hr/>	<hr/>
Total net assets	837	1,318	2,155
	<hr/>	<hr/>	<hr/>

20 Reconciliation of net movement in funds to net cash flow from operating activities

Group	2018	2017
	£000	£000
Net Income	(201)	318
Adjustments for:		
Depreciation on tangible fixed assets	92	106
Losses / (gains) on investments	397	(247)
Dividends and interest from investments	(98)	(101)
Investment management fees	66	68
Difference between pension charge and cash contribution	(1,259)	(18)
(Increase) in debtors	(220)	(35)
Increase / (decrease) in creditors	494	(387)
(Decrease) / increase in provisions	(81)	40
Change in cash and cash equivalents due to exchange rate movements	61	30
Net cash (used in) operating activities	(749)	(226)
Charity	2018	2017
	£000	£000
Net Income	(609)	(17)
Adjustments for:		
Depreciation on tangible fixed assets	80	94
Losses / (gains) on investments	397	(247)
Dividends and interest from investments	(98)	(101)
Investment management fees	66	68
Difference between pension charge and cash contribution	(1,259)	(18)
(Increase) in debtors	(333)	(10)
Increase / (decrease) in creditors	564	(151)
(Decrease) / increase in provisions	(81)	40
Change in cash and cash equivalents due to exchange rate movements	(1)	-
Net cash (used in) operating activities	(1,274)	(342)

21 Related party transactions

During the year recharges have been made between the charity and its subsidiary undertakings. These relate to direct costs and staff costs incurred by one party on behalf of the other, and for income collected by the overseas subsidiaries from members for third party registrations fees, journal subscription fees and benevolent fund donations. The net amount recharged was:

	Net amount recharged from / (to)		Balance outstanding at year end	
	the charity in the year		included in debtors / (creditors) for	
	2018	2017	2018	2017
	£000	£000	£000	£000
IChemE Ltd	51	31	151	74
IChemE in Australia	49	119	(203)	(96)
IChemE in Malaysia	(48)	20	104	168
IChemE in New Zealand	10	9	10	5
IChemE in Singapore Ltd	(2)	2	10	7
	60	181	72	158

IChemE Ltd gift aids its operating profit to the charity and the balance of £95,000 (2017: £95,000) is included in debtors for the charity at year end.

22 Pension scheme

Defined contribution scheme

The Institution's defined contribution pension scheme was established in April 2006 following the closure of the defined benefit scheme. The assets of the scheme are held separately from those of the charity and are currently administered by Standard Life Assurance Co Ltd. The Institution pays one and a half times the percentage that the employee contributes up to a maximum of 12%. The total pension cost charge to the Institution, representing contributions payable to the fund amounted to £225,000 (*£2017: £223,000*).

Pension costs relating to the employees of the Institution's subsidiaries IChemE in Australia, IChemE in Malaysia, IChemE in New Zealand and IChemE in Singapore Ltd amounted to £48,000 (*2017: £60,000*).

Defined benefit scheme

The Institution operates a defined benefit pension arrangement called the Institution of Chemical Engineers Pension Scheme. The Scheme provides benefits based on salary and length of service on retirement, leaving service or death. In 2006, the Scheme was closed to new members, future service accruals and salary revaluations were limited with effect from 5 April 2006.

The scheme is funded with the assets being held by the pension scheme's trustees separately from the assets of the Institution.

The Scheme is subject to the Statutory Funding Objective under the Pensions Acts 2004. A valuation of the Scheme is carried out at least every three years to determine whether the Statutory Funding Objective is met. As part of the process the Institution must agree with the trustees of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective.

The most recent comprehensive actuarial valuation of the Scheme was carried out as at 31 January 2018. The results of that valuation will be updated by an independent qualified actuary on an annual basis allowing for cashflows in and out of the Scheme and for changes to assumptions over that period.

The recovery plan, updated with the latest triennial valuation, agreed that the annual contribution level from the Institution into the Scheme would remain at £265,000 per annum, increasing in line with CPI, from 1 February 2018 to 31 January 2028. In addition, a one-off lump sum payment of £1,150,000 (*2017: £nil*) was paid into the Scheme in December 2018, which has enabled the pension scheme trustees to further de-risk the Scheme's investment assets.

Administrative and other expenses of the Scheme are payable separately by the Institution.

The Institution has also provided additional security to the Scheme by way of a charge of £500,000 on the freehold property in Rugby. The security agreement to put the charge in place was submitted to the Land Registry in March 2017.

The principal assumptions used to calculate Scheme liabilities include:

	2018 %	2017 %
Discount rate	2.9% pa	2.6% pa
RPI Price Inflation	3.4% pa	3.4% pa
CPI Price Inflation	2.4% pa	2.4% pa
Pension increases applied to pensions accrued on or after 6 April 1997	2.3% pa	2.3% pa
Revaluation in deferment	2.4% pa	2.4% pa
Long term expected rate of return on the Scheme's assets net of expenses	2.6% pa	2.6% pa
Mortality assumption (see table below)	90% of 'S2NA' tables with CMI 2017 projections and a long-term rate of improvement of 1.25% pa	90% of 'S2NA' tables with CMI 2016 projections and a long-term rate of improvement of 1.25% pa
Tax-free cash	All members are assumed to take 25% of their pension as tax-free cash	All members are assumed to take 25% of their pension as tax-free cash

22 Pension scheme (continued)

The major categories of assets are as follows:

Asset category	2018 £000	2017 £000
Liability Driven Investment (LDI)	1,862	2,044
Multi-asset funds	5,236	5,629
Cash	1,177	48
	<hr/>	<hr/>
Total	8,275	7,721
	<hr/>	<hr/>

The return on the Scheme's assets (net of investment manager expenses) over the period to the Review Date was approximately a fall of 4.9%.

Amounts recognised in the balance sheet at 31 December 2018:

	2018 £000	2017 £000
Fair Value of Assets	8,275	7,721
Present Value of Funded Obligations	(11,971)	(13,065)
	<hr/>	<hr/>
(Deficit) in Scheme	(3,696)	(5,344)
	<hr/>	<hr/>

Amounts recognised in the statement of financial activities over the year:

	2018 £000	2017 £000
Interest on liabilities	334	359
Interest on assets	(198)	(204)
Past service cost	12	-
	<hr/>	<hr/>
Total	148	155
	<hr/>	<hr/>

Remeasurements over the year:

	2018 £000	2017 £000
Loss / (gain) on scheme assets in excess of interest	579	(328)
Experience (gains) / losses on liabilities	(362)	-
Losses / (gains) from changes to demographic assumptions	38	(278)
(Gains) / losses from changes to financial assumptions	(644)	353
	<hr/>	<hr/>
Total	(389)	(253)
	<hr/>	<hr/>

22 Pension scheme (continued)

Reconciliation of assets and defined benefit obligation:

	2018 £000	2017 £000
Value of assets at beginning of period	7,721	7,382
Interest on assets	198	204
Institution contributions	1,407	173
Benefits paid	(472)	(366)
Return on assets less interest	(579)	328
	<hr/>	<hr/>
Value of assets at end of period	8,275	7,721
	<hr/>	<hr/>

The change in the defined benefit obligation over the period was:

	2018 £000	2017 £000
Value of liabilities at the beginning of the period	13,065	12,997
Past service cost	12	-
Interest cost	334	359
Benefits paid	(472)	(366)
Experience (gains) / losses on liabilities	(362)	-
Changes to demographic assumptions	38	(278)
Changes to financial assumptions	(644)	353
	<hr/>	<hr/>
Defined benefit obligation at end of period	11,971	13,065
	<hr/>	<hr/>

	2018 £000	2017 £000
Actuarial gains	389	253
	<hr/>	<hr/>

The cumulative amount of actuarial gains / (losses) recognised in the statement of financial activities is (£5,455,000) (2017: (£5,844,000)).

The annual contribution level for the period 1 February 2019 to 31 January 2020 will be increased in line with CPI from £265,000 to £270,300.