

Institution of Chemical Engineers

Council's report and consolidated
financial statements

Registered Charity number 214379

For the year ended 31 December 2014

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Council's Report

Council is pleased to present its annual report together with the financial statements of the Institution for the year ending 31 December 2014.

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 (SC 039661).

Principal Office

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

Auditors

BDO LLP, 2nd Floor, 2 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA

Main Bankers

NatWest Bank Plc, Silbury House, 300 Silbury Boulevard, Milton Keynes, MK9 2ZF
CAF Bank Limited, Kings Hill, West Malling, Kent, ME19 4TA

Solicitors

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

Investment Managers

Jupiter Asset Management Limited, 1 Grosvenor Place, London, SW1X 7JJ
Rathbone Investment Management Limited, 1 Curzon Street, London, W1J 5FB
Ruffer LLP, 80 Victoria Street, London, SW1E 5JL

Trustees

The Trustees serving through the year were as follows:

Council Members

1 January 2014 – 28 May 2014

Elected members

Ms JE Hackitt
Mr RM Scott
Prof GC Maitland
Dr A Jamieson
Prof JB Chaudhuri
Mr WJ Harper
Mr SF Harrow
Mr PJ Hunt

Co-opted members

Mr PR Ellis
Mr E Daniels
Dr MJ Kennedy
Mr RP McCann
Mr JM McGagh
Dr JP Sherlock
Prof MO Tade
Prof C Webb

Council Members

From 28 May 2014

Elected members

Prof GC Maitland
Ms JE Hackitt
Dr A Jamieson
Mr KJ Rivers
Mr WJ Harper
Mr SF Harrow
Mr IJ Martin
Ms J Glassey

Co-opted members

Mr PR Ellis
Dr MJ Kennedy
Mr RP McCann
Mr JM McGagh
Dr JP Sherlock
Prof MO Tade
Prof C Webb

Chief Executive

Dr DJ Brown

Senior Management Team

Mr N Atkinson: Director Qualifications & International Development

Mr J Blades: Deputy Chief Executive, Director Regional Networks & Membership Support

Miss J Downham: Director Finance & Business

Mrs C Flavell-While: Director Publications

Mr A Furlong: Director Policy & Communication

Mr P Slane: Director Australasia

Structure, Governance and Management

Governing Document

The Institution of Chemical Engineers was founded in 1922 and incorporated by Royal Charter in 1957. Amendments to the Royal Charter were granted in 1971, 1996, 2001, 2004, 2009 and 2011.

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 Institution's governing Council.

Appointment of Trustees

The members of Council are the Trustees of the Institution and are elected in accordance with the Royal Charter and By-Laws. Council is made up of the Honorary Officers – President, Deputy President, Immediate Past President and Honorary Treasurer (all of whom must be Fellows of the Institution), four elected members (of whom at least three shall be Fellows or Chartered Members of the Institution), and up to at least nine co-opted members.

At least one ordinary member is elected annually, with the President usually having been Deputy President in the previous year. Ordinary members serve for a period not exceeding four years. Council has the power to co-opt at least an additional nine members, who may hold office for not more than three consecutive years.

When notifying members of the annual general meeting, Council will propose at least one person to fill each of the vacancies. Voting members are invited to propose alternative nominations in accordance with the By-laws 67 to 68. In the event that more than one candidate is nominated for a vacancy, a direct election is conducted and the results are announced at the annual general meeting.

Trustee induction and training

All new members of Council receive an induction pack including the By-laws of the Institution, recent Council minutes, 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.

Institution structure

Council is the governing body of the Institution and meets six times a year to review the business of the Institution. The Institution's AGM takes place annually in May.

The Chief Executive is appointed by Council and has delegated authority for the day to day operation of the Institution. In addition there are a number of Boards and Committees, operating under delegated authority from Council, which have been established to facilitate the operation of key areas of business:

- The Board of IChemE in Australia has operational and financial responsibility for the activities of the Australian Branch. The Board, which has 12 members, meets at least quarterly.
- The Board of IChemE in Malaysia has operational and financial responsibility for the activities of the Malaysian Branch. The Board, which has 12 members, meets at least quarterly.
- The Board of IChemE in New Zealand has operational and financial responsibility for the activities of the New Zealand Branch. The Board, which has 11 members, meets at least quarterly.
- The UK Board was established in 2013 to guide and oversee activities of IChemE in the UK. The Board, which has ten members, meets quarterly and works closely with IChemE's UK member groups.

- The Qualifications Committee has responsibility for the effective operation and strategic oversight of all qualifications processes.
- The Professional Formation Forum (formerly the Membership Committee) has responsibility for applying the By-laws and Regulations of the Institution governing the admission to membership and for advising members concerning their professional development.
- The Education and Accreditation Forum (formerly Accreditation Committee) has responsibility for establishing and monitoring standards for chemical engineering that must be satisfied by academic institutions or individuals wishing to receive IChemE accreditation.
- The Medals and Prizes Committee meets annually to make recommendations to Council for the recipients of the Institution's principal awards, Honorary Fellowships, Special Interest Group and Publications medals.
- The Contracts Committee is responsible for drafting and preparing for publication the Forms of Contract published by IChemE.
- The Disputes Resolution Committee is set up to advise IChemE on matters of contractual dispute resolution in relation to its Forms of Contract.
- The Nominations Committee
- The HR & Remuneration Committee meets annually to review and approve the proposed salary recommendations for staff members and to agree the salary of the Chief Executive.
- The Audit and Risk Committee meets at least twice a year to assess the effectiveness of risk management and internal controls across IChemE.
- The Finance and Investment Committee meets at least three times a year to review and make recommendations to Council on IChemE's financial and investment affairs.
- The IChemE Safety Centre Advisory Board meets at least four times a year and is responsible for proposing, developing and reviewing the technical programme of the centre.
- The Institution has an extensive network of National / Regional Groups and specialist Special Interest Groups. 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, schools liaison visits, and networking events.

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 members of Council and of the various committees 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.

Governance and risk management

Council is 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 Internal Audit & Risk Committee is responsible for assessing the effectiveness of risk management and internal controls across the organisation.

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, 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. A project overview, setting out the risk status of all major projects is circulated to the Audit & Risk Committee at each meeting.

Council receives a summary of the top strategic risks and major projects at each meeting.

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.

Council and the senior management team attend an annual workshop, in addition to their regular scheduled meetings, to review the strategic framework of the Institution and to agree priorities for the forward business plans. These form the basis of the update of the three year rolling business plan leading to the detailed annual budget. The business plan and annual budget are reviewed and approved by Council at their final meeting of the year.

The Finance and Investment Committee review financial performance in detail at each meeting. The Committee is also tasked with monitoring performance of the investment funds and meets annually with the investment fund managers. Council receive updates of performance at each meeting highlighting variances to budget.

The Internal Audit & Risk Committee undertakes an internal audit programme to assess compliance of Council sub-committees, and any subsidiary body with their Charters.

A number of internal policies and procedures form part of the internal control process which are reviewed on a regular cycle. These include:

- Financial Policies and Procedures
- HR Policies and Procedures
- IT Policies and Procedures
- Data Protection Policy
- Health and Safety Policy
- PR Policy
- Anti Bribery and Corruption Policy
- Conflicts of Interest Policy
- Corporate Gifts and Hospitality Policy
- Donations Policy

During 2014, the Audit & Risk Committee carried out a review of its own Charter and IChemE's risk management procedures. As a result a formal risk policy was created and adopted by Council at its November meeting.

The minutes of the Committee meetings and an annual report of activities are presented to Council with any areas of high risk or cause for concern being brought to their attention. Any recommendations for immediate improvement to processes or procedures were actioned.

Objectives and activities

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 three-year rolling Business Plan identifies four key strategic goals and activities to achieve the objects:

- Build and sustain an active international professional community, united by a commitment to qualifications and standards that foster excellence and the delivery of benefits to society.
- Engage with others to promote the development, understanding and use of chemical engineering and the appreciation of its importance.
- Provide support and services to individuals, employers and others who further the practice and application of chemical engineering.
- Enable chemical engineers to interact and communicate with each other and with other disciplines.

To support these goals we will continue to operate an effective, efficient and responsive organisation, providing leadership and exemplifying good practice as well as complying with our obligations as a charitable body.

The Business Plan sets out how we will pursue these goals, and the indicators by which we will know we are succeeding.

Public Benefit

IChemE 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.

IChemE delivers value, directly and indirectly, to society at large, embracing a wide range of stakeholders. It seeks to represent and promote to the contribution that chemical engineering professionals can make to industry and society, as well as the advancement of the science of chemical engineering in its own right.

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

Achievements and performance

IChemE is committed to its core mission to advance chemical engineering world-wide and solid progress was maintained in 2014. The Institution's business plan is predicated on the primary goal of **building and sustaining an active international professional community, united by a commitment to qualifications and standards that foster excellence and the delivery of benefits to society**. Headline membership passed 42,500 up by almost 12% year on year, continuing the long term growth trend. 387 members progressed to chartered chemical engineer status in 2014.

IChemE members can be found in 120 countries and the signing of a collaborative agreement with the South African Institute of Engineers opened the way to joint membership across the two organisations and one that delivered a substantial tranche of new members. In the UK, the undergraduate intake to chemical engineering first degree programmes exceeded 3,500 for the first time; progress aided by IChemE's *whynotchemeng* careers campaign, which entered its thirteenth year.

The work of the Institution's Qualifications Commission under the leadership of Professor Colin Webb continued with the publication of an exciting set of proposals that will improve IChemE's accreditation and qualification offer. The Institution's international course accreditation programme continued to expand with the addition of Univertas Gadjah Mada in Jakarta, Indonesia to the list of higher education institutions that offer a first degree programme carrying the IChemE quality mark. New member groups were established on the US Gulf Coast and in Trinidad and Tobago.

The business plan also directs IChemE to **engage with others to promote the development, understanding and appreciation of chemical engineering**. Highlights in this important sphere of the Institution's work included a new approach to the Chemeca conference in Australasia with IChemE taking on the principal conference organiser role in partnership with Engineers Australia for the first time. The new arrangements proved a success with over 300 delegates gathering in Perth, Western Australia, for an event that was both a technical and a commercial success. The Chemical Engineering Matters initiative, which is the main driver for the Institution's public and media relations activities, was given new impetus following a successful leadership workshop in London in May with many senior members of Council in attendance. Further engagements are planned for South Africa and Malaysia and Australia in 2015.

The incoming president, Geoff Maitland opted to lead from the front via a personal *ChemEng365* blog, which aimed to promote chemical engineering 'good news' on a daily basis. The blog was still going strong at year end having generated a large social media audience both inside the Institution and beyond. Maitland took to the road in pursuit of good news stories, prompting an enhanced level of member interaction and a strong focus on highlighting the public benefit of the discipline and the role of chemical engineers in creating and maintaining quality of life.

The appointment of a director for the IChemE Safety Centre reinforced the importance of the Institution's work in the process safety space. This development prompted the signing of a new memorandum of understanding with the renowned Mary K O'Connor Process Safety Centre (based in Texas and Qatar) and continued growth in uptake of the Professional Process Safety Engineer registration, which is on course to set a new international benchmark for competence in process safety.

Diversity issues took on a new prominence in 2014 with the signing of several new concordats in the UK and a formal affiliation to the Women in Science and Engineering campaign.

Providing **support and services to individuals, employers and others who further the practice and application of chemical engineering** is another important aspect of IChemE's work. The existence of an effective and fully integrated database is essential to fulfil this ambition and 2014 saw a major capital project to build and commission a new system. The new database - Integra NG - will support continued membership growth and more efficient delivery of member services.

The Institution's medal and awards programme was reviewed during the year and proposals were agreed for the creation of 6 new medals to recognise innovation and achievement in a broader area of chemical engineering specialisms. The roster of corporate partners also expanded, with new relationships being forged with Shell, United Utilities and Genesis Oil and Gas among others. Notable developments in the training sphere included the completion of the first human factors in process safety programme in Australia and the delivery of the first fundamentals of process safety training course in the Middle East.

IChemE provides a range of **opportunities for chemical engineers to interact with each other and with other disciplines**. The institution's flagship new and business publication, The Chemical Engineer (tce), maintained its position as the preferred communication channel for members with eight out of ten respondents to IChemE's 2014 salary and satisfaction survey stating that they took time to study most issues. The Institution's learned journals are an important platform for the publication and dissemination of cutting edge chemical engineering research. A tripling of sales over the preceding decade was reported during the year. Special Interest Groups provide an essential focus for technical thought leadership within IChemE and support for a vibrant and diverse programme of networking events and webinars continued. Over 6,000 participants sign up to around 70 webinars during the year, increasing the Institution's virtual reach.

We have delivered a number of activities and events in Scotland during 2014. The highlights of the year include: the staging of the 24th Hazards conference, our major UK Process Safety event that saw over 400 safety professionals sharing knowledge, experience and best practice; our annual member group dinners for the Aberdeen and Scottish Member Group that bring together industry and academia to celebrate and recognise individual and team excellence in process engineering; and over 20 member group technical events that gave an opportunity for our members in Scotland to learn and benefit from continuing professional development in key technical topics.

Financial Review

The financial statements for the year ended 31 December 2014 are set out on pages 13 to 31.

Total income for the year was £8,542,000 (2013: £7,681,000). The principal sources of income for the year were: the sale of advertising space through the trading subsidiary £408,000; membership subscriptions and accreditation fees £3,351,000; delegate income for training courses £2,250,000 and company subscriptions to IChemE's Safety Centre £248,000; conference income £484,000 and income from journals and publications £1,038,000; donations for the *whynotchemeng* campaign £69,000; and £284,000 subscription income for the Technical Centres which are held as restricted funds.

The Institution's wholly owned trading subsidiary, IChemE Ltd, achieved an operating profit of £206,000 (2013: £439,000), which has been gift aided to the Institution. The income from the trading subsidiary is mainly derived from the sale of advertising space in the monthly magazine of the Institution. The results of the trading subsidiary are set out on page 18 of the financial statements.

Incoming resources amounting to £7,803,000 (2013: £6,961,000) have been deployed on charitable activities.

The Consolidated Statement of Financial Activities shows net unrestricted incoming resources of £440,000 (2013: £463,000). After taking into account the unrealised gain in investment assets of £25,000, and actuarial losses of £1,251,000 on the defined benefit pension scheme for its staff, the net movement in funds was a deficit of £786,000 (2013: surplus of £844,000). The unrestricted fund carried forward at the year-end was £4,192,000 (2013: £4,978,000).

The movement in restricted income funds is set out in note 14 to the financial statements.

In the opinion of the Council, sufficient resources are held in an appropriate form for each fund to be applied in accordance with any restrictions imposed.

Investment policy and powers

The investment policy adopted by Council is to achieve a target return of CPI + 3% over a 5 year rolling basis and over a rolling 3 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 (formally Jupiter Asset Management) 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.

IChemE continues to use the services of an independent financial advisor to review and monitor the investment portfolio. The performance of the funds was formally reviewed by the Finance & Investment Committee throughout the year and the Committee also met with the investment fund managers for an annual update at their October meeting.

The market value of the combined investment funds at 31 December 2014 was £6,541,000 (2013: £6,375,000), of which £5,127,000 (2013: £4,997,000) relates to IChemE's main fund and £1,414,000 (2013: £1,378,000) relates to the Andrew legacy fund.

All income received during the year has been re-invested and there are no income requirements envisaged in the foreseeable future. The Institution's investments are recorded at market value. The gains and losses on revaluation have been transferred to unrestricted funds.

Investments are held in accordance with the By-laws of the Institution. Council has 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.

Reserves policy

The Finance and Investment Committee reviews IChemE's reserves policy and level of reserves held on an annual basis. The reserves policy adopted by Council is to hold free reserves equivalent to the level of committed costs plus a margin of 10%. For 2014, the level of reserves required to meet this policy was £4,200,000.

The level of unrestricted reserves freely available at the yearend was £5,851,000 (2013: £5,584,000).

This level of free reserves is stated before taking account of the pension-funding deficit of £3,109,000 (2013: £2,084,000) calculated under FRS 17. However, due to the extremely long term nature of the pension reserve, the unrestricted reserves freely available are considered a more appropriate measure.

The current level of reserves is in excess of the policy and Council will undertake a thorough review of its reserves policy and longer term financial position and funding requirements in 2015.

Council has considered the level of reserves held at year end and believes they are sufficient to protect it from risk of insolvency or serious disruption to its work.

Plans for future periods

Our priorities for 2015 and beyond are, in summary, to:

- Maintain and continually improve our core work for the profession centred on qualifications and standards through membership, training, accreditation and associated work.
- Deliver and implement the Chemical Engineering Matters programme, and in doing so raise the extent of member engagement and volunteer involvement.
- Undertake selective and focused international development
- Advance process safety, including consolidation of the Safety Centre and promotion of the Professional Process Safety Engineer qualification.
- Develop and enhance the characteristics of a high performing organisation.
- Embed fully an improved project selection and management process.

Approved by the Council on 9 April 2015 and signed on its behalf by:



Prof GC Maitland
President



Mr KJ Rivers
Hon Treasurer

Davis Building
165-189 Railway Terrace
Rugby
CV21 3HQ

Statement of Council's responsibilities

Under the charter and by-laws of the Institution and charity law, Council is required to prepare financial statements for each financial year which properly present the state of affairs of the Institution and of the excess of expenditure over income. In preparing those financial statements, generally accepted accounting practice entails that the Council:

- selects suitable accounting policies and then applies them consistently;
- makes judgements and estimates that are reasonable and prudent;
- states whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- states whether the financial statements comply with the trust deed and rules, subject to any material departures disclosed and explained in the financial statements; and
- prepares the financial statements on a going concern basis unless it is inappropriate to presume that the Institution will continue its activities.

All of the Council members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the charity's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The trustees are not aware of any relevant audit information of which the auditors are unaware.

Council is required to act in accordance with the charter and by-laws of the Institution, within the framework of trust law. It is responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the Institution at that time, and enable the Council to ensure that, where any statements of accounts are prepared in accordance 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, those statements of accounts comply with the requirements of regulations under that provision. It has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Institution and to prevent and detect fraud and other irregularities.

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

We have audited the financial statements of the Institution of Chemical Engineers for the year ended 31 December 2014 which comprise the Group Statement of Financial Activities, the Group and Parent Charity Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of trustees and auditor

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

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under section 144 of the Charities Act 2011 and report in accordance with regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charity's affairs as at 31 December 2014 and of the group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Matters on which we are required to report by exception

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

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

BDO LLP

Don Bawtree (Statutory Auditor)

For and on behalf of BDO LLP

Gatwick

United Kingdom

Date: 20 May 2015

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

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

Consolidated statement of financial activities
for the year ended 31 December 2014

| | Notes | Unrestricted Funds £000 | Restricted Funds £000 | Total 2014 £000 | Unrestricted Funds £000 | Restricted Funds £000 | Total 2013 £000 |
|---|-------|-------------------------------|-----------------------------|-----------------------|-------------------------------|-----------------------------|-----------------------|
| INCOMING RESOURCES | | | | | | | |
| Incoming resources from generated funds: | | | | | | | |
| Donations & legacies | | 69 | - | 69 | 69 | 66 | 135 |
| Activities for generating funds | | | | | | | |
| Trading income | 2 | 408 | - | 408 | 641 | - | 641 |
| Other operating income | 2 | 10 | - | 10 | - | - | - |
| Investment income | 3 | 106 | 27 | 133 | 110 | 27 | 137 |
| Incoming resources from charitable activities: | | | | | | | |
| Build & sustain an active international community | | 3,351 | - | 3,351 | 3,087 | - | 3,087 |
| Engage with others to promote chemical engineering | | 267 | - | 267 | 248 | - | 248 |
| Provide support & services to others | | 2,498 | - | 2,498 | 2,095 | - | 2,095 |
| Enable chemical engineers to interact & communicate | | 1,522 | - | 1,522 | 1,109 | - | 1,109 |
| Technical Centres | 14 | - | 284 | 284 | - | 229 | 229 |
| Total Incoming Resources | | 8,231 | 311 | 8,542 | 7,359 | 322 | 7,681 |
| RESOURCES EXPENDED | | | | | | | |
| Costs of generating funds: | | | | | | | |
| Trading activities | 2 | (212) | - | (212) | (162) | - | (162) |
| Charitable activities: | | | | | | | |
| Build & sustain an active international community | | (2,106) | - | (2,106) | (2,048) | - | (2,048) |
| Engage with others to promote chemical engineering | | (1,008) | - | (1,008) | (843) | - | (843) |
| Provide support & services to others | | (2,196) | - | (2,196) | (2,006) | - | (2,006) |
| Enable chemical engineers to interact & communicate | | (2,238) | - | (2,238) | (1,802) | - | (1,802) |
| Technical Centres | 14 | - | (255) | (255) | - | (260) | (260) |
| Andrew Legacy | 14 | - | - | - | - | (2) | (2) |
| Governance costs: | 6 | (31) | - | (31) | (35) | - | (35) |
| | | (7,579) | (255) | (7,834) | (6,734) | (262) | (6,996) |
| Total Resources Expended | 4 | (7,791) | (255) | (8,046) | (6,896) | (262) | (7,158) |
| Net incoming resources | | 440 | 56 | 496 | 463 | 60 | 523 |
| Net gains on investment assets | 11 | 25 | 8 | 33 | 271 | 65 | 336 |
| Pension scheme actuarial gains / (losses) | 9 | (1,251) | - | (1,251) | 110 | - | 110 |
| Net movement in funds | | (786) | 64 | (722) | 844 | 125 | 969 |
| Fund balances brought forward at 1 January | | 4,978 | 1,927 | 6,905 | 4,134 | 1,802 | 5,936 |
| Fund balances carried forward at 31 December | | 4,192 | 1,991 | 6,183 | 4,978 | 1,927 | 6,905 |

Restricted funds are income funds. 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 16 to 31 form part of these financial statements.

Balance sheets

at 31 December 2014

| | Note | Group | | Institution | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2014 | 2013 | 2014 | 2013 |
| | | £000 | £000 | £000 | £000 |
| Fixed assets | | | | | |
| Tangible assets | 10 | 1,450 | 1,478 | 1,450 | 1,478 |
| Investments | 11 | 6,541 | 6,375 | 6,541 | 6,375 |
| | | <u>7,990</u> | <u>7,853</u> | <u>7,990</u> | <u>7,853</u> |
| Current assets | | | | | |
| Debtors | 12 | 1,533 | 1,474 | 1,500 | 1,460 |
| Short term cash investment | | - | - | - | - |
| Cash at bank and in hand | | 2,253 | 2,731 | 2,249 | 2,688 |
| | | <u>3,786</u> | <u>4,205</u> | <u>3,749</u> | <u>4,148</u> |
| Creditors: Amounts falling due within one year | 13 | <u>(2,485)</u> | <u>(3,069)</u> | <u>(2,448)</u> | <u>(3,023)</u> |
| Net current assets | | <u>1,301</u> | <u>1,136</u> | <u>1,301</u> | <u>1,125</u> |
| Total Net Assets before pension deficit | | <u>9,292</u> | <u>8,989</u> | <u>9,292</u> | <u>8,978</u> |
| Pension scheme funding deficit | 9 | <u>(3,109)</u> | <u>(2,084)</u> | <u>(3,109)</u> | <u>(2,084)</u> |
| Total Net Assets after pension deficit | | <u>6,183</u> | <u>6,905</u> | <u>6,183</u> | <u>6,894</u> |
| Income funds | | | | | |
| Fixed asset reserves | | 1,450 | 1,478 | 1,450 | 1,478 |
| Free reserves | | 5,851 | 5,584 | 5,851 | 5,573 |
| Pension reserves | 9 | (3,109) | (2,084) | (3,109) | (2,084) |
| | | <u>4,192</u> | <u>4,978</u> | <u>4,192</u> | <u>4,967</u> |
| Unrestricted funds | | 4,192 | 4,978 | 4,192 | 4,967 |
| Restricted income funds | 14 | 1,991 | 1,927 | 1,991 | 1,927 |
| | | <u>6,183</u> | <u>6,905</u> | <u>6,183</u> | <u>6,894</u> |

These financial statements were approved by the Council and authorised for issue on 9 April 2015.

Prof GC Maitland
President



Mr KJ Rivers
Hon Treasurer



Consolidated cash flow statement
for the year ended 31 December 2014

| | | 2014 | 2013 |
|--|-------------|--------------|-------------|
| | <i>Note</i> | £000 | £000 |
| Net cash inflow/(outflow) from operating activities | <i>18</i> | (305) | 737 |
| Returns on investments and servicing of finance | <i>19</i> | 133 | 137 |
| Capital expenditure and financial investment | <i>19</i> | (306) | (236) |
| | | <hr/> | <hr/> |
| (Decrease)/increase in cash in the year | | (478) | 638 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Reconciliation of net cash flow to movement in net cash resources | | | |
| (Decrease)/increase in cash in the year | | (478) | 638 |
| Net cash resources at beginning of year | | 2,731 | 2,093 |
| | | <hr/> | <hr/> |
| Net cash resources at end of year | | 2,253 | 2,731 |
| | | <hr/> <hr/> | <hr/> <hr/> |

Notes to the financial statements

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with: the Statement of Recommended Practice (SORP), Accounting and Reporting by Charities (SORP 2005) published in March 2005 (2nd Edition); applicable accounting standards; 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 are prepared under historical cost convention, with the exception of investments which are held at market value and of freehold land and buildings which are held at revalued amounts retained under the transitional provisions set out in FRS 15 "Tangible Fixed Assets".

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

Basis of consolidation

The group financial statements consolidate the financial statements of the Institution of Chemical Engineers and its subsidiary undertakings, IChemE Ltd and IChemE (Shanghai) Chemical Technology Consulting Ltd, made up to 31 December 2014. The results of the subsidiaries are consolidated on a line by line basis. No separate statement of financial activities has been presented for the Institution of Chemical Engineers alone as permitted by paragraph 397 of SORP. The results of the subsidiaries are summarised in note 2 of the financial statements.

Incoming Resources

Income is recognised, net of value added tax, in the period in which the Institution is entitled to receipt and the amount can be measured with reasonable certainty.

Donations are included in incoming resources when these are received.

Legacies are included in incoming resources when the charity is legally entitled to the income and the amount can be quantified with reasonable certainty.

Subscription income is deferred and released to the consolidated statement of financial activities over the period to which the subscription relates.

Project funding is recognised in full in the consolidated statement of financial activities in the year in which it is receivable.

Investment income comprises the returns receivable on fixed asset investments for the year.

Resources Expended

Expenditure is included in the statement of financial activities on an accruals basis. All expenditure is recorded net of value added tax unless irrecoverable.

Costs of generating funds are those costs incurred in trading activities that raise funds.

Charitable activities include expenditure associated with achieving the objects of the Institution and include both direct and support costs relating to these activities.

Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

Support costs include central functions and have been apportioned across the charitable activities on the basis of staff costs associated with each activity.

Notes (continued)

1 Accounting policies (continued)

Leased assets

Operating lease rentals are charged to the consolidated statement of financial activities in the year in which they are incurred.

Taxation

The charity is within the meaning of Para 1 Schedule 6 Finance Act 2010. Accordingly the charity is potentially exempt from taxation in respect of income or capital gains within categories covered by Chapter 3 of Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

No tax charge arose in the period.

The subsidiary companies make qualifying donations of all taxable profit to the Institution. No corporation tax liability on the subsidiaries arises in the accounts.

Fixed assets

Fixed assets are recorded at cost or valuation less accumulated depreciation. Expenditure on fixed assets costing over £500 is capitalised.

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

| | | |
|---------------------|---|-----------|
| Freehold buildings | - | 5% |
| Leasehold buildings | - | 11% - 20% |
| Office equipment | - | 15% |
| Computer software | - | 33% |

Freehold land is not depreciated.

Freehold property at Rugby was valued by Messrs David Storer & Partners, Chartered Surveyors, on the basis of open market value for their existing use 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 recorded at the market value quoted at the year end. All movements in value arising from investment changes or revaluation are recognised in the consolidated statement of financial activities. Realised gains or losses on investments are calculated as the difference between the disposal proceeds and the market value at 31 December (or historical cost if purchased within the year). Unrealised gains or losses are derived from the movement in market values during the year.

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 Council in connection with the objects of the Institution, including transfers into restricted income funds.

Notes (continued)

1 Accounting policies (continued)

Pension costs

Contributions to the group's defined contribution pension scheme are charged to the statement of financial activities in the year in which they become payable.

The difference between the fair value of the assets held in the group's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the group's balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the group is able to recover the surplus either through reduced contributions in the future or through refunds of the scheme.

Changes in the defined pension scheme asset or liability arising from factors other than cash contribution by the group are charged to the profit and loss account or the statement of total recognised gains and losses in accordance with FRS 17 'Retirement benefits'.

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 to the statement of financial activities.

2 Results of trading subsidiaries

IChemE Limited is incorporated in the UK, registered in England and Wales and its audited financial statements are filed with the Registrar of Companies. Its principal activity is the sale of advertising space in the Institution's journals and publications. The company gift aids its taxable profits to the Institution.

During 2014, IChemE (Shanghai) Chemical Technology Consulting Ltd was closed. Closing assets of £10,446 were transferred to IChemE Ltd in May 2014.

| | IChemE Ltd | IChemE (Shanghai) Chemical Technology Consulting Ltd | Total | 2013 |
|--------------------------------------|-------------|--|-------------|-------------|
| | £000 | £000 | £000 | £000 |
| Turnover | 408 | - | 408 | 643 |
| Cost of sales | (84) | - | (84) | (143) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Gross profit | 324 | - | 324 | 500 |
| Administration costs | (128) | (11) | (139) | (106) |
| Other operating income | 10 | - | 10 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net profit | 206 | (11) | 195 | 394 |
| Amount gift aided to the Institution | (206) | - | (206) | (439) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Retained in subsidiary | - | (11) | (11) | (45) |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Notes (continued)

2 Results of trading subsidiaries (continued)

Balance sheet

| | IChemE Ltd | IChemE (Shanghai) Chemical Technology Consulting Ltd | Total | 2013 |
|---------------------------|------------|--|-------|-------|
| | £000 | £000 | £000 | £000 |
| Fixed assets | - | - | - | - |
| Current assets | 201 | - | 201 | 218 |
| Current liabilities | (201) | - | (201) | (207) |
| Net current assets | - | - | - | 11 |
| Total net assets | - | - | - | 11 |

Creditors shown above for IChemE Ltd include £164,000 (2013: £160,000) due to the Institution.

3 Investment income

| | 2014 £000 | 2013 £000 |
|----------------------|--------------|--------------|
| Interest receivable | 22 | 19 |
| Dividends receivable | 111 | 118 |
| | <u>133</u> | <u>137</u> |

4 Analysis of total resources expended

| | Staff costs £000 | Direct costs £000 | Allocated Staff costs £000 | Allocated Other costs £000 | 2014 Total £000 | 2013 Total £000 |
|---|------------------------|-------------------------|----------------------------------|----------------------------------|-----------------------|-----------------------|
| Costs of generating funds | - | 212 | - | - | 212 | 162 |
| Build & sustain an active international community | 993 | 457 | 248 | 408 | 2,106 | 2,048 |
| Engage with others to promote chemical engineering | 409 | 301 | 116 | 182 | 1,008 | 843 |
| Provide support & services to others | 603 | 1,280 | 116 | 197 | 2,196 | 2,006 |
| Enable chemical engineers to interact & communicate | 748 | 894 | 236 | 360 | 2,238 | 1,802 |
| Technical Centres | 121 | 134 | - | - | 255 | 260 |
| Andrew Legacy | - | - | - | - | - | 2 |
| Governance costs (note 6) | - | 31 | - | - | 31 | 35 |
| | <u>2,874</u> | <u>3,309</u> | <u>716</u> | <u>1,147</u> | <u>8,046</u> | <u>7,158</u> |

Notes (continued)

4 Analysis of total resources expended (continued)

| | 2014 £000 | 2013 £000 |
|---|-------------------|-------------------|
| <i>Net incoming resources is stated</i> | | |
| <i>After charging / (crediting):</i> | | |
| Depreciation | 201 | 123 |
| Operating lease rentals: | | |
| Office equipment | 17 | 14 |
| Land and buildings | 156 | 153 |
| Other | 6 | 6 |
| Foreign exchange losses | 50 | 35 |
| | <u> </u> | <u> </u> |

5 Support costs

Included within the charitable expenditure are support costs amounting to £1,863,000 (2013: £1,762,000). These are analysed as:

| | 2014 £000 | 2013 £000 |
|-------------|-------------------|-------------------|
| Staff costs | 716 | 726 |
| Finance | 212 | 151 |
| IT | 261 | 235 |
| Facilities | 563 | 545 |
| Management | 111 | 105 |
| | <u> </u> | <u> </u> |
| | 1,863 | 1,762 |
| | <u> </u> | <u> </u> |

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

| | 2014 £000 | 2013 £000 |
|---|-------------------|-------------------|
| Build & sustain an active international community | 656 | 651 |
| Engage with others to promote chemical engineering | 298 | 257 |
| Provide support & services to others | 313 | 378 |
| Enable chemical engineers to interact & communicate | 596 | 476 |
| | <u> </u> | <u> </u> |
| | 1,863 | 1,762 |
| | <u> </u> | <u> </u> |

Other support costs include liability insurance for council members and officers of the Institution which has been purchased by the Institution for £8,000 (2013: £7,000).

Notes (continued)

6 Governance costs

| | 2014 £000 | 2013 £000 |
|---------------------------|--------------|--------------|
| External Audit | 19 | 21 |
| Annual report | 4 | 4 |
| AGM costs | 6 | 8 |
| By-Law Revisions | - | 1 |
| Legal & professional fees | 2 | 1 |
| | <u>31</u> | <u>35</u> |

7 Remuneration and expenses paid to council members

| | 2014 £000 | 2013 £000 |
|--|--------------|--------------|
| Reimbursements made to 9 (2013:9) Council members in respect of claimed travel costs | 9 | 16 |
| | <u>9</u> | <u>16</u> |

No council member received remuneration in respect of services to the Institution.

8 Staff numbers and costs

The average number of full time equivalent persons employed by the Institution during the year was as follows:

| | Number of employees | |
|---|---------------------|-----------|
| | 2014 | 2013 |
| Build & sustain an active international community | 24 | 24 |
| Engage with others to promote chemical engineering | 6 | 5 |
| Provide support & services to others | 14 | 11 |
| Enable chemical engineers to interact & communicate | 18 | 13 |
| Co-operative Projects | 3 | 3 |
| Management and Administration | 20 | 20 |
| | <u>85</u> | <u>76</u> |

The aggregate payroll costs of these persons were as follows:

| | £ | £ |
|-----------------------|--------------|--------------|
| Wages and salaries | 3,070 | 2,617 |
| Social security costs | 267 | 238 |
| Pension costs | 253 | 210 |
| | <u>3,590</u> | <u>3,065</u> |

Notes (continued)

8 Staff numbers and costs (continued)

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

| | Number of employees | |
|---------------------|---------------------|------|
| | 2014 | 2013 |
| £70,001 - £80,000 | 1 | 3 |
| £80,001 - £90,000 | 3 | 2 |
| £90,001 - £100,000 | 2 | 1 |
| £190,001 - £200,000 | - | 1 |
| £200,001 - £210,000 | 1 | - |

The number of employees who earned more than £60,000 for whom pension benefits are accruing under the defined contribution pension scheme is 6 (2013: 6). Contributions in respect of these employees amounted to £50,895 (2013: £64,000).

9 Pension scheme

The Institution operates two pension schemes as follows:

Defined Benefit Scheme

The Institution operates a pension scheme providing benefits based on final pensionable salaries. The scheme is funded with the assets being held by the pension scheme's Trustees separately from the assets of the Institution.

In 2006, a decision was taken to close the Institution's defined benefit pension scheme to future service accruals and to limit salary revaluations with effect from 5 April 2006.

The latest triennial valuation was carried out as at 31 January 2012. As anticipated the valuation showed an increase in deficit and a revised recovery plan has been submitted to The Pensions Regulator. The recovery plan aims to eliminate the pension funding deficit by 2024 through an annual contribution level of £161,500, increasing annually in line with the Consumer Prices Index (CPI). Contribution levels have been determined by a qualified actuary on the basis of the triennial valuation using the projected unit method.

The latest actuarial valuation has been updated to 31 December 2014 by a qualified independent actuary on an FRS17 basis. There were no changes to the scheme during the year.

Principal actuarial assumptions used at the balance sheet date

| | 2014 % | 2013 % |
|--|--|--|
| Discount rate | 3.70 | 4.60 |
| Inflation assumption (CPI) | 2.30 | 2.90 |
| Post '97 pension increases | 2.20 | 2.80 |
| Revaluation in deferment | 2.50 | 2.90 |
| Long term expected rate of return on the Scheme's assets net of expenses | 3.70 | 6.50 |
| Mortality assumption (see table below) | SAPS 'SINA' tables rated by 90% using CMI 2011 projections with a long term rate of improvement of 1.25% | SAPS 'SINA' tables rated by 90% using CMI 2011 projections with a long term rate of improvement of 1.25% |
| 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 |

Notes *(continued)*

9 Pension scheme *(continued)*

Mortality tables adopted

| Life expectancy at age 65 | 2014 | 2013 |
|----------------------------------|-------------|-------------|
| Male currently aged 45 | 25.3 | 25.2 |
| Female currently aged 45 | 27.9 | 27.8 |
| Male currently aged 65 | 23.4 | 23.4 |
| Female currently aged 65 | 25.9 | 25.8 |

Composition of plan assets

| | 2013 | 2012 |
|---|-------------|-------------|
| | % | % |
| Scheme Bank Account | 0 | 0 |
| BlackRock Dynamic Diversified Growth Fund | 50 | 100 |
| BlackRock Dynamic Return Strategy Fund | 50 | 0 |
| Total | 100 | 100 |

The actual return on the Scheme's assets (net of investment manager expenses) over the period to the Review Date was approximately 4.5%. The assets do not include any investment in shares of the Institution.

Amounts recognised in the balance sheet

| | 2014 | 2013 |
|-------------------------------------|-----------------|--------------|
| | £'000 | £,000 |
| Fair Value of Assets | 8,212 | 7,905 |
| Present Value of Funded Obligations | (11,321) | (9,989) |
| Surplus / (Deficit)* | (3,109) | (2,084) |

*Surplus / (Deficit) shown prior to deferred taxation.

Notes *(continued)*

9 Pension scheme *(continued)*

Reconciliation of fair value of plan assets

| | 2014 | 2013 |
|---|--------------|-------------|
| | £'000 | £'000 |
| Fair Value of Assets at beginning of period | 7,905 | 7,419 |
| Expected return on assets | 512 | 442 |
| Institution contributions | 169 | 166 |
| Benefits paid | (214) | (257) |
| Actuarial gain/(loss) | (160) | 135 |
| | <hr/> | <hr/> |
| Fair Value of Assets at end of period | 8,212 | 7,905 |
| | <hr/> <hr/> | <hr/> <hr/> |

Reconciliation of defined benefit obligation

| | 2014 | 2013 |
|---|---------------|-------------|
| | £'000 | £'000 |
| Defined benefit obligation at the beginning of the period | 9,989 | 9,796 |
| Interest cost | 455 | 425 |
| Benefits paid | (214) | (257) |
| Actuarial (gain)/loss | 1,091 | 25 |
| | <hr/> | <hr/> |
| Defined benefit obligation at end of period | 11,321 | 9,989 |
| | <hr/> <hr/> | <hr/> <hr/> |

Amounts recognised in statement of financial activities over the year

| | 2014 | 2013 |
|---------------------------|--------------|-------------|
| | £'000 | £'000 |
| Interest cost | 455 | 425 |
| Expected return on assets | (512) | (442) |
| | <hr/> | <hr/> |
| Total | (57) | (17) |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes *(continued)*

9 Pension scheme *(continued)*

Amounts recognised in the Statement of Total Recognised Gains and Losses over the year

| | 2014 | 2013 |
|---|----------------|-------|
| | £'000 | £'000 |
| Actuarial (Losses)/Gains | (1,251) | 110 |
| Total amount recognised in Statement of Total Recognised Gains and Losses | (1,251) | 110 |

The cumulative amount of actuarial gains and losses recognised in the statement of financial activities is (£3,613,000) (2013: loss £2,362,000).

Summary of prior year amounts

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|-----------------|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Present value of Defined Benefit Obligation | (11,321) | (9,989) | (9,796) | (8,541) | (7,924) |
| Scheme Assets | 8,212 | 7,905 | 7,419 | 6,895 | 7,079 |
| Surplus / (Deficit) | (3,109) | (2,084) | (2,377) | (1,646) | (845) |
| Experience gains and losses on Scheme liabilities | 0 | 0 | (70) | 0 | 0 |
| Changes in assumptions used to value | (1,091) | (25) | (967) | (371) | 231 |
| Experience adjustments on Scheme assets | (160) | 135 | 146 | (614) | 215 |

The annual contribution level for the period 1 February 2015 to 31 January 2016 will be increased in line with the Consumer Prices Index (CPI) from £169,182 to £170,028.

Defined Contribution Scheme

The Institution's defined contribution pension scheme was established in April 2006 following the closure of the defined benefit scheme. Both the Institution and employees make contributions towards the scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund. The pension cost charge to the Institution, representing contributions payable to the fund amounted to £194,000 (£2013: £179,000).

Notes (continued)

10 Tangible fixed assets

Group and Institution

| | Freehold Property | Short leasehold property | Office equipment | Computers | Assets in the course of construction | Total |
|----------------------------|----------------------|--------------------------------|---------------------|------------|--|--------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation | | | | | | |
| At beginning of year | 1,800 | 220 | 352 | 740 | 82 | 3,194 |
| Additions | - | - | 6 | 167 | - | 173 |
| Disposals | - | - | - | (368) | - | (368) |
| Transfers | - | - | - | 82 | (82) | - |
| At end of year | 1,800 | 220 | 358 | 620 | - | 2,999 |
| Depreciation | | | | | | |
| At beginning of year | 471 | 212 | 313 | 720 | - | 1,716 |
| Charge for the year | 76 | 4 | 10 | 111 | - | 201 |
| Disposals | - | - | - | (368) | - | (368) |
| At end of year | 547 | 216 | 323 | 463 | - | 1,549 |
| Net book value | | | | | | |
| At 31 December 2014 | 1,253 | 4 | 35 | 158 | - | 1,450 |
| At 31 December 2013 | 1,329 | 8 | 39 | 20 | 82 | 1,478 |

Group and Institution

Freehold property is carried at a revalued amount (1999 open market values) which has been retained under the transitional provisions set out in FRS 15 "Tangible Fixed Assets".

If stated under the historical cost principles the comparable amounts at 31 December 2014 would be:

| | Freehold Property £000 |
|----------------|------------------------------|
| Cost | 1,680 |
| Depreciation | (612) |
| Net book value | 1,068 |

Freehold property at 31 December 2014 includes land at valuation of £280,000 (2013 £280,000) which is not depreciated.

Notes *(continued)*

11 Fixed asset investments

Group and Institution

| | 2014 £000 | 2013 £000 |
|--------------------------------|--------------|--------------|
| Market value at 1 January | 6,375 | 5,902 |
| Acquisitions at cost | 5,201 | 844 |
| Disposals at cost | (5,068) | (707) |
| Net gain/(loss) on revaluation | 33 | 336 |
| | 6,540 | 6,375 |
| | 5,556 | 5,460 |

Investments are held to achieve long term capital growth with income.

An analysis of the market value of the investments at 31 December 2014 is as follows:

| | 2014 £000 | 2013 £000 |
|----------------|--------------|--------------|
| Equities | 4,488 | 3,734 |
| Fixed Interest | 1,423 | 1,782 |
| Cash | 315 | 530 |
| Other | 315 | 329 |

Investments in Subsidiaries

The principal undertakings in which the Institution's interest at year end is 20% or more is as follows:

| Name | Country of registration | Share Capital |
|------------|-------------------------|---------------|
| IChemE Ltd | England & Wales, UK | 100% |

IChemE Ltd is a direct subsidiary of the Institution.

Associate Undertaking

The charity acquired 33% of the issued share capital of Chemistry Innovation Ltd in 2008. This is a company established to support innovation in chemistry through facilitating knowledge transfer, collaborative working and research and development projects between chemistry related industries and the science base.

The results and net assets of the associated undertaking are not material to the group and accordingly have not been accounted for using the equity method of accounting. For the year ended 31 December 2013 the draft accounts for the company show a profit of £1,469 (2013: loss £1,177) and net assets of £18,955 (2013: £17,486).

Notes (continued)

12 Debtors

| | Group | | Institution | |
|--|--------------|--------------|--------------|--------------|
| | 2014 £000 | 2013 £000 | 2014 £000 | 2013 £000 |
| Trade debtors | 1,186 | 1,244 | 989 | 1,070 |
| Amount due from subsidiary undertaking | - | - | 164 | 160 |
| Other debtors | 48 | 9 | 48 | 9 |
| Prepayments and accrued income | 299 | 221 | 299 | 221 |
| | <u>1,533</u> | <u>1,474</u> | <u>1,500</u> | <u>1,460</u> |

13 Creditors: amounts falling due within one year

| | Group | | Institution | |
|-----------------|--------------|--------------|--------------|--------------|
| | 2014 £000 | 2013 £000 | 2014 £000 | 2013 £000 |
| Trade creditors | 517 | 475 | 536 | 475 |
| Other creditors | 482 | 396 | 452 | 370 |
| Accruals | 290 | 371 | 268 | 351 |
| Deferred income | 1,196 | 1,827 | 1,192 | 1,827 |
| | <u>2,485</u> | <u>3,069</u> | <u>2,448</u> | <u>3,023</u> |

Deferred income relates to annual membership and publication subscriptions 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 Restricted income funds

| | International Process Safety Group (IPSG) | European Process Safety Centre (EPSC) | John Collier Memorial Fund | Legacy Fund | Total |
|-------------------------------|--|--|----------------------------------|----------------|--------------|
| | £000 | £000 | £000 | £000 | £000 |
| At 1 January 2014 | 81 | 348 | 37 | 1,461 | 1,927 |
| Incoming resources | 33 | 251 | - | 27 | 311 |
| Resources expended | (37) | (218) | - | - | (255) |
| Transfer between funds | - | - | - | - | - |
| Net gain/(loss) on investment | - | - | - | 8 | 8 |
| | <u>77</u> | <u>381</u> | <u>37</u> | <u>1,496</u> | <u>1,991</u> |

Notes *(continued)*

14 Restricted income funds *(continued)*

The John Collier Memorial Fund was established in 1996 following the death in 1995 of John Collier, serving President of the Institution. The fund commenced with a donation from industry and 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 IPSC and EPSC funds relate to international industry- funded technical centres within the Institution that have to be administered in accordance with each Group's Statute. These dictate that monies can only be utilised in furtherance of each centres specific objectives.

The Institution was notified of a bequest in December 2011 from the estate of the late Professor Andrew. The funds are to be used for the founding of a medal lecture on the theme of 'The Science of Formulation of Heterogeneous Catalysts' and the remainder to be devoted to the support of academic research in enhancing the science of formulation of heterogeneous catalysts. The majority of the fund has been transferred into investment funds, which generated investment income of £27,000 and resulted in an unrealised gain on investment of £8,000 at 31 December 2014.

15 Analysis of net assets between funds

Fund balances at 31 December 2014 are represented by:

| | Group and Institution | | Total |
|----------------------------------|------------------------------|-------------------------|----------------|
| | Unrestricted funds | Restricted funds | |
| | £000 | £000 | £000 |
| Tangible fixed assets | 1,450 | - | 1,450 |
| Investments | 5,127 | 1,414 | 6,541 |
| Pension scheme funding deficit | (3,109) | - | (3,109) |
| Net current (liabilities)/assets | 724 | 577 | 1,301 |
| | <hr/> | <hr/> | <hr/> |
| Total net assets | 4,192 | 1,991 | 6,183 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

16 Overseas branches and young members group

| | 2014 | 2013 |
|-----------------------|-------------|-------------|
| | £000 | £000 |
| <i>Grants awarded</i> | | |
| Branches and groups | 19 | 11 |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes (continued)

17 Commitments

Leasing

Annual commitments under non-cancellable operating leases are as follows:

| | Group and Institution | | | |
|--|----------------------------|-----------|--------------------|---------------|
| | 2014 | Other | Land and buildings | 2013 |
| | Land and buildings £000 | £000 | £000 | Other £000 |
| Operating leases which expire: | | | | |
| In less than one year | - | 3 | 12 | - |
| In the second to fifth years inclusive | 159 | 15 | 142 | 17 |
| In over five years | - | - | - | 5 |
| | <u>159</u> | <u>18</u> | <u>154</u> | <u>22</u> |

18 Reconciliation of incoming resources to net cash inflow/(outflow) from operating activities

| | 2014 £000 | 2013 £000 |
|--|--------------|--------------|
| Net incoming resources for the year | 496 | 523 |
| Depreciation | 201 | 123 |
| Loss on disposal of tangible fixed asset | - | - |
| Income from investments | (133) | (137) |
| Pension scheme reserves | (226) | (183) |
| (Increase)/Decrease in debtors | (59) | (30) |
| (Decrease)/Increase in creditors | (584) | 441 |
| Net cash inflow from operating activities | <u>(305)</u> | <u>737</u> |

19 Analysis of cash flows for headings in the cash flow statement

| | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Returns on investments and servicing of finance | | |
| Interest receivable | 22 | 19 |
| Dividends receivable | 111 | 118 |
| Capital expenditure and financial investments | | |
| Purchase of fixed asset investments | (173) | (137) |
| Payments to acquire tangible fixed assets | (133) | (99) |
| Cash outflow from capital expenditure and financial investment | <u>(306)</u> | <u>(236)</u> |

Notes *(continued)*

20 Related party transactions

A balance of £12,700 is shown within trade debtors for Professor GC Maitland to cover personal expenses incurred by IChemE during an international business trip in 2014. The debtor balance was paid in January 2015.

21 Results of parent charity

The following have been included in the consolidated accounts for the parent charity: reserves of £5,883,000 (2013: £6,894,000), comprising unrestricted funds of £3,892,000 (2013: £4,967,000) and restricted funds of £1,991,000 (2013: £1,927,000). The result for the year is a loss of £1,011,000 (2013: surplus of £864,000).

