

Institution of Chemical Engineers

**Council's annual report and
consolidated financial statements for the
year ended 31 December 2015**

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Council's Report

Council is pleased to present its annual report together with the financial statements of the charity and its subsidiaries for the year ending 31 December 2015.

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

BDO LLP, Two Snowhill, Birmingham, B4 6GA

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

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 2015 – 26 May 2015

Elected members

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

Council Members

From 26 May 2015

Elected members

Dr A Jamieson
Prof GC Maitland
Prof JPK Seville
Mr KJ Rivers
Mr SF Harrow
Mr IJ Martin
Dr J Glassey
Prof L Gladden

Co-opted members

Mr WJ Harper
Mr PR Ellis
Dr JP Sherlock
Mr JM McGagh
Dr Abdul Aziz Abdul Raman
Mr D Platts
Prof R Amal
Prof C Webb

Chief Executive

Dr DJ Brown

Senior Management Team

Mr N Atkinson: Director Qualifications & International Development

Mr J Blades: Deputy Chief Executive, Chief Operating Officer

Ms J Downham: Director Finance & Business

Mrs C Flavell-While: Director of Policy & Publications

Mr A Furlong: Director of Communication & Brand Development

Mr P Slane: Director Australia & New Zealand

Mr B Tallah: Director South East Asia (*from 21 September 2015*)

Objectives and activities for the public benefit

The Institution is a professional membership organisation committed to advancing chemical engineering worldwide.

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 into the discipline and to retain it; and we inspire young professionals to apply their chemical engineering understanding for the good of society as well as for the success of the organisations where they work.

Through the standards we apply, through the rigour with which we assess applicants for Chartered membership and through promotion of education, training and professional development, we enable the public to have confidence in the competence and professionalism of practising chemical engineers. Equally, by driving high standards of process safety, sustainability and environmental responsibility, we help society to gain the immense benefits that the application of chemical engineering can bring, without causing undue harm to people or the planet.

For the chemical engineering community, we provide coherence, cohesiveness and a common voice; we encourage and facilitate the exchange of knowledge and mutual support; we recognise and celebrate excellence; we undertake informed advocacy on behalf of chemical engineering and chemical engineers; and we ensure that the wider world knows that chemical engineering matters – and why.

To wider audiences, we undertake advocacy on behalf of chemical engineering and chemical engineers, drawing attention to the value the subject brings to society and to economies, and the benefits of working with, employing and engaging with chemical engineers.

All this matters, because first rate chemical engineering and highly competent chemical engineers are a basis of safe, successful, sustainable businesses; help society to enjoy the benefits of energy, food, water and much more; and underpin advances in human health and well-being.

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

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

The Institution is a professional membership organisation committed to advancing chemical engineering worldwide.

It sets standards for chemical and process safety engineering professionals. In November the Institution's governing Council agreed a revision to the Code of Conduct introducing a professional obligation to 'whistle blow' further reinforcing the Institution's requirement on members to meet the highest standards of professionalism and act in the public interest.

Chemical engineering adds value and improves quality of life in many different sectors. However, the professional work associated with upstream oil and gas exploration and processing is the dominant activity for much of the Institution's global community. The sector is in its deepest downturn since the 1990s. Earnings are down for many companies employing IChemE members prompting project cancellations, redundancies, recruitment freezes and reduced expenditure on training and professional development. The price of a barrel of crude oil has fallen by more than 70 percent since June 2014 and around 250,000 jobs have been lost globally.

This economic backdrop made 2015 an extremely challenging year for the Institution. Income from training and conference activity fell by £700,000; and despite a prudent approach, the overall results reflected a net deficit in operating activities for the first time in 13 years.

Notwithstanding the market upheaval, IChemE remained committed to the four goals at the heart of its business plan.

We will 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

In terms of membership numbers, the Institution has enjoyed a long period of continuous growth. At the end of 2015, the year on year membership total grew by 5% to 44,757 with 12,477 of the members being professionally registered. This is against the 2017 year-end target of 44,000 and 12,500 respectively.

IChemE members can be found in 120 countries. Around 54% of members are UK domiciled. It is anticipated that we will achieve the milestone of 50% of members domiciled outside of the UK by the end of 2017.

The Institution supports its members and the wider chemical engineering community through a team of 102 professional staff based in the UK, Australia, Malaysia, New Zealand and Singapore.

Many commentators have reported a looming science and technology skill shortage. In the UK, there are serious concerns that all levels of education lack both the capacity and the required rate of growth required to meet the forecast demand for skilled engineers. In response, IChemE's *whynotchemeng* campaign contributed to further growth in the chemical engineering undergraduate intake. Interest in the discipline reached a new record with a 16% increase in applications and a final intake of 3,775 first year students commencing their studies in September 2015. The campaign materials are proving useful in other parts of the world.

IChemE's core business activity centres around the accreditation and qualification activity that secures the highest levels of competence and professional commitment, thereby securing public trust in chemical engineers. Progress in this area was driven by the activities of the Webb Commission – under the leadership of the outgoing Vice President (Qualifications), Prof Colin Webb. Significant work was completed on the scoping of a new *Professional Learning Community* capable of delivering world-class education, training and career development support to the Institution's increasingly diverse and globalised membership. Initial developments included a detailed mapping of the training course offer available to chemical engineers and a systematic revision of IChemE's undergraduate course accreditation guidelines, which drew on the input of 39 university departments around the world.

The Institution's international activity continued to expand. Members of the South African Institution of Chemical Engineers (SAChE) were fully incorporated into IChemE's membership. The Nigerian Society of Chemical Engineers (NSChE) was confirmed as an Affiliate Society of IChemE in August. The Official College of Chemical Engineers of the Community of Valencia (COIQVC) became IChemE's first European Affiliate Society.

In response to the demand for a broader qualification offer in the important area of process safety, IChemE launched a new membership grade – Associate Member (Process Safety).

We will engage with others to promote the development, understanding and use of chemical engineering and the appreciation of its importance

The *IChemE Energy Centre* was simultaneously launched in a live video link between Brisbane, London and Kuala Lumpur in March 2015 with the UK Government Chief Scientific Advisor, Sir Mark Walport in attendance. The centre, which was the brainchild of the outgoing IChemE President, Professor Geoff Maitland, brings greater clarity and coherence to the Institution's thinking in this key area of public policy. Five work strands were agreed in October, including energy efficiency and new nuclear power generation. The centre was also represented at the COP 21 climate change talks in Paris.

The Scottish Energy Minister, Angus Ewing MSP, was the guest speaker at IChemE's Aberdeen Member Group dinner.

Salt Lake City in the US was the location for the November launch of IChemE's second technical Green Paper on another hot policy topic – *Getting to grips with the water-energy-food nexus*.

In order to secure a better understanding of societal needs and member priorities in South East Asia, IChemE staged two *Chemical Engineering Matters* workshops in Malaysia and Singapore. In total 14 *chemical engineering matters* events were staged against a target of 12.

Towards year end plans were finalised for a new 'bio-futures' group under the leadership of Ian Shott CBE and Prof Nigel Titchener Hooker. This initiative will enable IChemE to reduce its dependency on 'traditional' oil and gas focussed activity.

We will provide support and services to individuals, employers and others who further the practice and application of chemical engineering

The *IChemE Safety Centre* issued new guidance addressing industry challenges in the areas of competency management and process safety metrics. At the end of the year the *Centre* had a total of 14 operating partners and 10 industry partners.

Local peer to peer networking is facilitated by IChemE's regional member groups. Special Interest Groups provide a similar platform for chemical engineers who wish to engage around scientific or technical topics. Developments in 2015 included the launch of new groups in The Netherlands and Canada. On the technical front a new Sustainable Palm Oil Special Interest Group was formed in Malaysia and steps were taken to expand the operation of the Education Special Interest Group to embrace fuller involvement from members with an interest in education and training in Australia and New Zealand.

We will enable chemical engineers to interact and communicate with each other and with other disciplines

The Chemical Engineer remained an essential channel for members to keep in touch with developments in their profession. The printed magazine received a full design overhaul in December. 2015 also saw developments on the digital front with the launch of a new smart phone app and an on-line jobs board; both moves were driven by the need to respond to a rapidly changing media landscape.

IChemE's learned journals saw healthy increases to their impact factors reinforcing their important role in communicating the latest research findings. *Process Safety and Environmental Protection* was the strongest performer, seeing a leap of 40% to 2.551, its highest ever score.

New developments on the journal front included the adding of the *South African Journal of Chemical Engineering* to the IChemE portfolio; the launch of a new title *Sustainable Production and Consumption* and finalising plans for another new title, *Molecular Systems Design and Engineering*, in partnership with the Royal Society of Chemistry.

IChemE's conference programme struggled in the face of travel restrictions and budget cuts brought about by the slump in oil and gas prices. Nonetheless, several events reported good attendances for well-received technical programmes. The long running *Hazards* symposium series was staged for a 25th time in Edinburgh Scotland. The conference is now fully established as an annual fixture. *Hazards* is now an international brand and a second satellite event was held in Brisbane, Australia in May.

Working in partnership with Engineers Australia, IChemE delivered the *2015 Asia Pacific Confederation of Chemical Engineering Congress* in Melbourne, Australia in September.

Plans for the future

Despite a difficult year in 2015 Council remain positive and forward looking with a renewed determination to repurpose and reposition the Institution in the run up to the centenary year in 2022.

Work will continue on redefining IChemE's vision for 2022 which will focus on three specific work streams: digital transformation, internationalisation and meeting the needs of the next generation. Detailed scoping will be completed in 2016 which will include an examination of IChemE's brand values and an extensive consultation with members and other stakeholders to secure vision and strategy that will underpin the fulfilment of the Institution's charity and charter requirements in the years ahead.

Other priorities for 2016 and beyond include:

- Improving the accessibility, efficiency and capacity of our membership processes
- Maintaining robust peer review as a basis for our assessment, accreditation and appraisal processes, drawing on volunteers from our diverse membership and providing them with appropriate training, guidance and support
- Working with employers and other partners to ensure that engineering professionals are supported and valued at all stages of the career pipeline
- Broadening our range of training and professional development offerings, backed by peer review to ensure quality and fit for purpose
- Engaging with employers, governments, policymakers, industry associations and the media to encourage understanding of and support for chemical engineering and an appreciation of why and how *Chemical Engineering Matters*
- Forming and working through selected partnerships with other professional and industry bodies around the world to help grow our international community and promote the subject

Financial Review

The financial statements for the year ended 31 December 2015 are set out on pages 14 to 32.

The consolidated financial statements 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.

During 2015, the Institution's financial performance was severely impacted by the recent fall in the oil price as companies cut their discretionary spend on training and attendance at events. For the first time in 12 years the Institution moved from a surplus on operating activities to posting a deficit of £789,000 (2014: surplus £344,000).

Although a number of steps were taken to reduce discretionary spend, Council took the decision early in the year not to reduce or defer investment on existing or new projects on the basis that the level of free reserves held was sufficient to withstand the deficit, and to enable the Institution to position itself into a stronger position for the future.

Total income for the year was £7,369,000 (2014: £8,542,000). The principal sources of income for the year were; the sale of advertising space through the trading subsidiary £290,000; membership subscriptions and accreditation fees £3,350,000; delegate income for training courses £1,615,000 and company subscriptions to IChemE's Safety Centre £228,000; subscription income for the Technical Centres £250,000 which are held as restricted funds; conference income £398,000 and income from journals and publications £768,000; donations for the *whynotchemeng* campaign £51,000. The restricted fund also includes a further receipt of £33,000 for the Andrew legacy fund.

Total expenditure for the year was £8,262,000 (2014: £8,268,000).

The Institution's wholly owned trading subsidiary, IChemE Ltd, achieved an operating profit of £171,000 (2014: £206,000), which has been gift aided to the Institution.

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.

The Consolidated Statement of Financial Activities shows net expenditure of £785,000 (2014: net income £280,000) in unrestricted funds. After taking into account the actuarial gains of £426,000 (2014: loss £1,102,000) on the defined benefit pension scheme, the net movement in funds was a deficit of £359,000 (2014: £822,000). The unrestricted fund carried forward at the year-end was £3,797,000 (2014: £4,156,000).

The movement in restricted income funds is set out in note 15 to the financial statements.

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 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.

The market value of the combined investment funds at 31 December 2014 was £6,452,000 (2014: £6,541,000), of which £5,004,000 (2014: £5,127,000) relates to the Institutions unrestricted fund and £1,448,000 (2014: £1,414,000) 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. 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 Committee takes into account all relevant information including the risks identified in the risk register.

The current reserves policy adopted by Council 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 term shortfall in operating income.

For 2015, the level of reserves required to meet this policy was £4,300,000.

The level of unrestricted reserves freely available at the year-end was £5,104,000 (2014: £5,815,000).

This level of free reserves is stated before taking account of the pension-funding deficit of £2,625,000 (2014: £3,109,000) calculated under FRS 102. 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 held is in excess of the policy. However, the three year rolling business plan for 2016-2018 indicates that the current situation with the oil price will continue to impact the financial performance of the Institution in 2016 with a further budgeted operating deficit in the region of £500,000.

The Finance and Investment Committee will review the reserves policy at its meeting in April 2016.

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.

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 Institution's governing Council.

The Institution is a registered charity in England & Wales and a charity registered in Scotland. The members of Council are the Trustees of the charity.

Appointment of Trustees

The members of Council 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. The President, Deputy President and Honorary Treasurer are elected annually by Council, with the President usually having been Deputy President in the previous year. The Presidential Nominations Commission recommends to Council the nominee for Deputy President.

The President serves for a term of one year plus one year preceding that as Deputy President and one year following as Immediate Past President.

The Honorary Treasurer is eligible for re-election annually up to a maximum of six years.

- Four elected ordinary members of whom at least three shall be Fellows or Chartered Members of the Institution. Ordinary members serve for a term not exceeding four years and at least one ordinary member is elected annually. In accordance with the By-Laws, voting members are invited to propose alternative nominations to those put forward by Council. 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.
- Co-opted members who are appointed by Council and serve for a term not exceeding three years. The By-Laws currently allow for:

Four co-opted Vice Presidents (Qualifications, Technical, International, Australia);

One co-opted member elected by each country with more than 10% of the voting membership. These additional co-options currently apply to the UK and Australia;

Not more than three other co-opted members.

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.

On appointment, Council members sign a code of conduct and complete a register of interests which is updated annually.

Institution structure

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

The Chief Executive is appointed by Council 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 Council and in compliance with local regulatory requirements. In 2013, Council established a similar UK Board to enable Council itself to focus on strategic matters affecting the profession globally.

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.

There are a number of standing Boards and Committees, operating under delegated authority from Council, which have been established to facilitate the operation of key areas of business:

- HR & Remuneration Committee
- Audit and Risk Committee
- Finance and Investment Committee
- Nominations Committee
- Presidential Nominations Commission
- Qualifications Committee
- IChemE Safety Centre Advisory Board
- Energy Centre Board
- Research Committee
- Medals and Prizes Committee
- Contracts Committee
- Disputes Resolution Committee

In addition, the Institution has an extensive network of National / Regional Groups and specialist 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, schools liaison visits, and networking events.

The Charter, delegated powers, membership and reporting line into Council for all Boards and Committees are set by Council.

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 Boards and 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.

Remuneration policy for key management personnel

The Institution considers its key management personnel to comprise Council, the Chief Executive and the Senior Management Team. All Council members give their time freely and no Council member received remuneration in the year. Details of Council member expenses and related party transactions can be found in note 7 and 18 to the accounts.

The pay of the Chief Executive and Senior Management Team is set by the HR & Remuneration 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

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 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.

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:

- 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

Council receives a summary of the top strategic risks and major projects at each meeting. Key changes in risk items will also be reported to Council as required.

The top operational and strategic risks identified in the risk register in 2015 were:

- Compliance with international legislation
- Sustained income fall in events and training
- Membership proposition undermined by competition of sector skills bodies
- Institution undermined by social media

Council is satisfied that reasonable steps are being taken to limit the probability and impact of these risks.

During 2015, one of the major areas of review for the Audit & Risk Committee was an internal governance audit programme on all of Council's Boards and Committees to assess compliance with their Charters. The individual audits were conducted by member volunteers with the consolidated results being reported back to the Audit & Risk Committee. The exercise highlighted a number of Committee specific issues and a number of generic issues where standardisation of processes and procedures could be made. The Committee will continue to track the progress of these issues as they are addressed over the next twelve months.

Statement of Council's responsibilities

Council is responsible for preparing the trustees' annual report and the financial statements in accordance with applicable law and regulations.

Charity law requires Council 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 Council 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, Council is 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.

Council is 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 Council on 7 April 2016 and signed on its behalf by:



Mr A Jameson
President



Mr KJ Rivers
Hon Treasurer

Davis Building
165-189 Railway Terrace
Rugby
CV21 3HQ

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 2015 which comprise the Group and Parent 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
Kyla Bellingall (Statutory auditor)
For and on behalf of BDO LLP
Birmingham
United Kingdom

Date: 20/5/16

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 2015

	Notes	Unrestricted Funds £000	Restricted Funds £000	Total 2015 £000	Unrestricted Funds £000	Restricted Funds £000	Total 2014 £000
INCOME AND ENDOWMENTS FROM							
Donations & legacies	3	51	33	84	69	-	69
Charitable activities:							
Build & sustain an active international community		3,350	-	3,350	3,351	-	3,351
Engage with others to promote chemical engineering		258	-	258	267	-	267
Provide support & services to others	15	1,843	250	2,093	2,498	284	2,782
Enable chemical engineers to interact & communicate		1,166	-	1,166	1,522	-	1,522
Other trading activities:							
Trading operations	2	290	-	290	408	-	408
Other operating income	2	-	-	-	10	-	10
Investments	4	101	27	128	106	27	133
TOTAL INCOME		7,059	310	7,369	8,231	311	8,542
EXPENDITURE ON							
Raising funds:							
Trading operations	2	(119)	-	(119)	(212)	-	(212)
Investment management costs		(56)	(15)	(71)	(26)	(11)	(37)
Charitable activities:							
Build & sustain an active international community		(2,423)	-	(2,423)	(2,187)	-	(2,187)
Engage with others to promote chemical engineering		(1,244)	-	(1,244)	(1,041)	-	(1,041)
Provide support & services to others	15	(2,225)	(322)	(2,547)	(2,233)	(255)	(2,488)
Enable chemical engineers to interact & communicate		(1,858)	-	(1,858)	(2,303)	-	(2,303)
TOTAL EXPENDITURE		(7,925)	(337)	(8,262)	(8,002)	(266)	(8,268)
Net gains / (losses) on investments	11	81	23	104	51	19	70
NET INCOME / (EXPENDITURE)		(785)	(4)	(789)	280	64	344
Actuarial gains/(losses) on defined benefit pension schemes	9	426	-	426	(1,102)	-	(1,102)
NET MOVEMENT IN FUNDS		(359)	(4)	(363)	(822)	64	(758)
Fund balances brought forward at 1 January		4,156	1,991	6,147	4,978	1,927	6,905
Fund balances carried forward at 31 December		3,797	1,987	5,784	4,156	1,991	6,147

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 18 to 32 form part of these financial statements.

Charity statement of financial activities for the year ended 31 December 2015

	Notes	Unrestricted Funds £000	Restricted Funds £000	Total 2015 £000	Unrestricted Funds £000	Restricted Funds £000	Total 2014 £000
INCOME AND ENDOWMENTS FROM							
Donations & legacies	3	51	33	84	69	69	69
Gift aid from subsidiary company	2	171	-	171	206	206	206
Charitable activities:							
Build & sustain an active international community		2,852	-	2,852	2,793	-	2,793
Engage with others to promote chemical engineering		235	-	235	230	-	230
Provide support & services to others	15	1,271	250	1,521	1,718	284	2,002
Enable chemical engineers to interact & communicate		1,065	-	1,065	1,480	-	1,480
Investments	4	101	27	128	106	27	133
TOTAL INCOME		5,746	310	6,056	6,602	311	6,913
EXPENDITURE ON							
Raising funds:							
Investment management costs		(55)	(15)	(71)	(26)	(11)	(37)
Charitable activities:							
Build & sustain an active international community		(2,152)	-	(2,152)	(1,814)	-	(1,814)
Engage with others to promote chemical engineering		(1,171)	-	(1,171)	(964)	-	(964)
Provide support & services to others	15	(1,664)	(322)	(1,986)	(1,615)	(255)	(1,870)
Enable chemical engineers to interact & communicate		(1,730)	-	(1,730)	(2,228)	-	(2,228)
TOTAL EXPENDITURE		(6,772)	(337)	(7,108)	(6,646)	(266)	(6,912)
Net gains / (losses) on investments	11	81	23	104	51	19	70
NET INCOME / (EXPENDITURE)		(945)	(4)	(948)	6	64	70
Actuarial gains/(losses) on defined benefit pension schemes	9	426	-	426	(1,102)	-	(1,102)
NET MOVEMENT IN FUNDS		(519)	(4)	(522)	(1,096)	64	(1,096)
Fund balances brought forward at 1 January		3,693	1,991	5,684	4,978	1,927	6,905
Fund balances carried forward at 31 December		3,174	1,987	5,162	3,693	1,991	5,684

Balance sheets at 31 December 2015

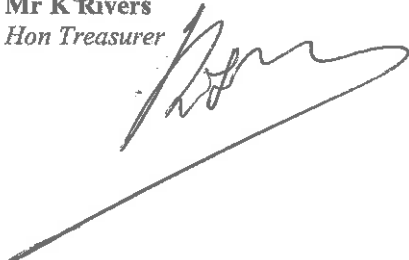
	Note	2015	Group 2014	2015	Charity 2014
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10	1,318	1,450	1,292	1,443
Investments	11	6,452	6,541	6,452	6,541
		<u>7,770</u>	<u>7,991</u>	<u>7,744</u>	<u>7,983</u>
Current assets					
Debtors	12	1,140	1,533	1,271	1,680
Cash at bank and in hand		2,043	2,253	815	1,211
		<u>3,183</u>	<u>3,786</u>	<u>2,086</u>	<u>2,891</u>
Creditors: Amounts falling due within one year	13	<u>(2,544)</u>	<u>(2,521)</u>	<u>(2,043)</u>	<u>(2,081)</u>
Net current assets		<u>639</u>	<u>1,265</u>	<u>43</u>	<u>810</u>
Total Net Assets before pension deficit		<u>8,409</u>	<u>9,256</u>	<u>7,787</u>	<u>8,793</u>
Pension scheme funding deficit	9	<u>(2,625)</u>	<u>(3,109)</u>	<u>(2,625)</u>	<u>(3,109)</u>
Total Net Assets after pension deficit		<u>5,784</u>	<u>6,147</u>	<u>5,162</u>	<u>5,684</u>
Income funds					
Fixed asset reserves		1,318	1,450	1,292	1,443
Free reserves		5,104	5,815	4,508	5,359
Pension reserves	9	<u>(2,625)</u>	<u>(3,109)</u>	<u>(2,625)</u>	<u>(3,109)</u>
Unrestricted funds		<u>3,797</u>	<u>4,156</u>	<u>3,175</u>	<u>3,693</u>
Restricted income funds	15	<u>1,987</u>	<u>1,991</u>	<u>1,987</u>	<u>1,991</u>
		<u>5,784</u>	<u>6,147</u>	<u>5,162</u>	<u>5,684</u>

These financial statements were approved by the Council and authorised for issue on 7 April 2016.

Mr A Jamieson
President



Mr K Rivers
Hon Treasurer



Consolidated cash flow statement for the year ended 31 December 2015

		2015	2014
	<i>Note</i>	£000	£000
Cash flows from operating activities	<i>17</i>	(333)	(285)
Cash flows from investing activities:			
Dividends and interest from investments	<i>4</i>	128	133
Purchase of fixed asset investments	<i>11</i>	(128)	(133)
Disposal of fixed asset investments	<i>11</i>	250	-
Purchase of furniture and equipment	<i>10</i>	(52)	(173)
Net cash (used in)/provided by investing activities		198	(173)
Change in cash and cash equivalents in the reporting period		(135)	(457)
Cash and cash equivalents at the start of the reporting period		2,253	2,731
Change in cash and cash equivalents due to exchange rate movements		(75)	(21)
Cash and cash equivalents at the end of the reporting period		2,043	2,253

Notes forming part of the financial statements for the year ended 31 December 2015

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

Reconciliation with previous Generally Accepted Accounting Practice

In preparing the accounts, Council has considered whether in applying the accounting policies required under FRS 102 and the Charities SORP FRS 102 the restatement of comparative items was needed.

At the date of transition, in applying the requirement to recognise liabilities arising from employee benefits, a liability was recognised in the results of IChemE in Australia for holiday entitlement due but not taken and for accrued long service leave. In accordance with the requirements of FRS 102 a reconciliation of opening balances is provided.

Reconciliation of group funds and balances:

	2014 £000
Fund balances as previously stated	6,183
Holiday entitlement and long service leave accrual	(36)
	<hr/>
Fund balances restated	6,147
	<hr/> <hr/>

Preparation of the accounts on a going concern basis

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

The recent fall in oil price and knock on effect in the oil and gas sector has had an impact on the financial results for the Institution in 2015, particularly in the training and events area as companies cut their discretionary spend. The three year budget for 2016-2018 predicts that the situation will continue to impact the financial results for the Institution in 2016 with a further deficit in the region of £500,000. However, Council consider the level of free reserves held at 31 December 2015 of £5,104,000 sufficient to withstand the deficit. In addition the investment and diversification in operational activities during this period should see the Institution returning to an operational breakeven position in 2017 and 2018.

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. 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 been notified in writing of both the amount and settlement date.

1 Accounting policies (continued)

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.

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

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.

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.

Expenditure on raising funds consists of costs incurred in trading operations and investment management fees.

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 consolidated 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 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 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.

1 Accounting policies (continued)

Investments

Fixed asset investments are initially recorded at their transaction value and subsequently measured at their market value as at the balance sheet date using the closing quoted market 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 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.

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

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 10. 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 profit and loss account or the statement of total recognised gains and losses in accordance with FRS 102.

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.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, Council is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. 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 Council has 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.

1 Accounting policies (continued)

Other key sources of estimation uncertainty:

- Tangible fixed assets (see note 11). 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 13). 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 10). 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 10.

2 Results of subsidiaries

The summary financial position of the subsidiaries is shown below:

	IChemE Ltd	IChemE in Australia	IChemE in Malaysia	IChemE in New Zealand	IChemE in Singapore Ltd	Total	2014
	£000	£000	£000	£000	£000	£000	£000
Income	290	916	199	79	-	1,484	1,825
Expenditure	(119)	(727)	(245)	(41)	-	(1,132)	(1,290)
Net Income / Expenditure	171	189	(46)	38	-	352	535
Amount gift aided to the Institution	(171)	-	-	-	-	(171)	(206)
Retained in subsidiary	-	189	(46)	38	-	181	329

Balance sheets

	IChemE Ltd	IChemE in Australia	IChemE in Malaysia	IChemE in New Zealand	IChemE in Singapore Ltd	Total	2014
	£000	£000	£000	£000	£000	£000	£000
Fixed assets	23	-	2	1	-	26	7
Current assets	180	1,040	136	124	-	1,480	1,302
Current liabilities	(203)	(423)	(210)	(48)	-	(884)	(846)
Net current assets	(23)	617	(74)	76	-	596	456
Total net assets	-	617	(72)	77	-	622	463

3 Income from donations and legacies

	2015 £000	2014 £000
Donations	51	69
Legacies	33	-
	<u>84</u>	<u>69</u>

Income from donations and legacies was £84,000 (2014: £69,000) of which £51,000 (2014: £69,000) was unrestricted and £33,000 (2014: £nil) was restricted. Unrestricted funds represent donations received in support of the Institution's *whynotchemeng* campaign.

4 Investment income

	2015 £000	2014 £000
Interest receivable	24	22
Dividends receivable	104	111
	<u>128</u>	<u>133</u>

5 Analysis of expenditure on charitable activities

	Direct activity costs £000	Grant funding activities £000	Support costs £000	2015 Total £000	2014 Total Restated £000
Build & sustain an active international community	1,523	-	900	2,423	2,187
Engage with others to promote chemical engineering	811	-	433	1,244	1,041
Provide support & services to others	2,043	24	480	2,547	2,488
Enable chemical engineers to interact & communicate	1,364	-	494	1,858	2,303
	<u>5,741</u>	<u>24</u>	<u>2,307</u>	<u>8,072</u>	<u>8,019</u>

	2015 £000	2014 £000
<i>Net income / (expenditure) for the year is stated after charging:</i>		
Depreciation	181	201
Operating leases:		
Plant and machinery	24	23
Land and buildings	156	156
	<u>181</u>	<u>201</u>

6 Analysis of governance and support costs

Included within expenditure on charitable activities are governance and support costs amounting to £2,307,000 (2014: £1,931,000). These are analysed as:

	2015 £000	2014 £000
Staff costs	1,029	753
Finance	217	212
IT	292	261
Facilities	596	563
Management	125	111
Governance costs	48	31
	<u>2,307</u>	<u>1,931</u>

These 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:

	2015 £000	2014 £000
Build & sustain an active international community	900	686
Engage with others to promote chemical engineering	433	307
Provide support & services to others	479	327
Enable chemical engineers to interact & communicate	494	611
	<u>2,307</u>	<u>1,931</u>

Analysis of governance costs:

	2015 £000	2014 £000
Audit of the charity's annual accounts	25	19
Audit of the charity's branches	5	2
Internal governance audit	1	2
AGM and annual report costs	5	10
Legal & professional fees	12	2
	<u>48</u>	<u>31</u>

7 Analysis of trustee remuneration and expenses

	2015 £000	2014 £000
Expenses paid to or on behalf of 12 (2014:10) Council members in respect of travel, subsistence and accommodation costs	35	33

Council members give freely their time and expertise without any form of remuneration or other benefit in cash or kind (2014: £nil).

8 Analysis of staff costs and remuneration to key management personnel

The average monthly headcount for the group and charity during the year was 102 (2014: 92). The number of full time equivalent persons employed by the group and charity during the year was as follows:

	Number of employees	
	2015	2014
Build & sustain an active international community	27	24
Engage with others to promote chemical engineering	8	6
Provide support & services to others	16	14
Enable chemical engineers to interact & communicate	16	18
Technical Centres	3	3
Management and Administration	24	20
	<hr/>	<hr/>
	94	85
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	3,165	3,070
Social security costs	301	266
Pension scheme contributions	273	253
Defined benefit pension scheme operating costs	44	57
Employee benefits	61	50
	<hr/>	<hr/>
	3,844	3,697
	<hr/>	<hr/>

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

	Number of employees	
	2015	2014
£70,001 - £80,000	4	1
£80,001 - £90,000	2	3
£90,001 - £100,000	-	2
£200,001 - £210,000	1	1
	<hr/>	<hr/>

The number of employees who earned more than £60,000 for whom pension benefits are accruing under the defined contribution pension scheme is 6 (2014: 6). Contributions in respect of these employees amounted to £48,000 (2014: £51,000).

The Institution considers its key management personnel to comprise Council, the Chief Executive and the Senior Management Team. The total employment benefits of the key management personnel, including employer pension contributions were £757,000 (2014: £782,000).

9 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 £221,000 (£2014: £194,000).

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 2012. The 31 January 2015 valuation is in progress.

The Institution expects to contribute £170,000 to the Scheme during the year to 31 December 2016.

The principal assumptions used to calculate Scheme liabilities include:

	2015 %	2014 %
Discount rate	4.0% pa	3.7% pa
RPI Price Inflation	3.4% pa	3.3% pa
CPI Price Inflation	2.4% pa	2.3% pa
Pension increases applied to pensions accrued on or after 6 April 1997	2.3% pa	2.2% pa
Revaluation in deferment	2.4% pa	2.5% pa
Long term expected rate of return on the Scheme's assets net of expenses	3.7% pa	3.7% pa
Mortality assumption (see table below)	SAPS 'S1NA' tables rated by 90% using CMI 2011 projections with a long term rate of improvement of 1.25%	SAPS 'S1NA' 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

Under the adopted mortality tables, the future life expectancy at age 65 is as follows:

Life expectancy at age 65	2015	2014
Male currently aged 45	25.4	25.3
Female currently aged 45	28.0	27.9
Male currently aged 65	23.5	23.4
Female currently aged 65	26.0	25.9

9 Pension scheme (continued)

The major categories of assets are as follows:

Asset category	2015 £'000	2014 £'000
BlackRock Dynamic Diversified Growth Fund	3,987	4,109
BlackRock Dynamic Return Strategy Fund	3,944	4,095
Scheme bank account	34	8
Total	<u>7,965</u>	<u>8,212</u>

The actual return on the Scheme's assets (net of investment manager expenses) over the period to the Review Date was approximately -1.2%. The assets do not include any investment in shares of the Institution.

Amounts recognised in the balance sheet at 31 December 2015:

	2015 £'000	2014 £'000
Fair Value of Assets	7,965	8,212
Present Value of Funded Obligations	(10,590)	(11,321)
Surplus / (Deficit)*	<u>(2,625)</u>	<u>(3,109)</u>

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

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

	2015 £'000	2014 £'000
Interest on liabilities	413	455
Interest on assets	(301)	(363)
Total	<u>112</u>	<u>92</u>

Remeasurements over the year:

	2015 £'000	2014 £'000
Loss / (gain) on scheme assets in excess of interest	401	11
Experience losses / (gains) on benefit obligations	(344)	-
Losses / (gains) from changes to financial assumptions	(483)	1,091
Total	<u>(426)</u>	<u>1,102</u>

9 Pension scheme (continued)

Reconciliation of assets and defined benefit obligation:

	2015 £'000	2014 £'000
Fair value of assets at beginning of period	8,212	7,905
Interest on assets	301	363
Institution contributions	170	169
Benefits paid	(317)	(214)
Return on plan assets less interest	(401)	(11)
	<hr/>	<hr/>
Fair value of assets at end of period	7,965	8,212
	<hr/> <hr/>	<hr/> <hr/>

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

	2015 £'000	2014 £'000
Defined benefit obligation at the beginning of the period	11,321	9,989
Interest cost	413	455
Benefits paid	(317)	(214)
Experience (gains) / losses on defined benefit obligation	(344)	-
Changes to financial assumptions	(483)	1,091
	<hr/>	<hr/>
Defined benefit obligation at end of period	10,590	11,321
	<hr/> <hr/>	<hr/> <hr/>

Amounts recognised in the statement of total recognised gains and losses over the year:

	2015 £'000	2014 £'000
Actuarial (losses) / gains	426	(1,102)
	<hr/>	<hr/>
Total amount recognised in the statement of total recognised gains and losses	426	(1,102)
	<hr/> <hr/>	<hr/> <hr/>

The cumulative amount of actuarial gains and losses recognised in the statement of financial activities is (£3,038,000) (2014: loss £3,464,000).

Summary of prior year amounts:

	2015 £'000	2014 Restated £'000	2013 £'000	2012 £'000	2011 £'000
Present value of defined benefit obligation	(10,590)	(11,321)	(9,989)	(9,796)	(8,541)
Scheme Assets	7,965	8,212	7,905	7,419	6,895
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Surplus / (Deficit)	(2,625)	(3,109)	(2,084)	(2,377)	(1,646)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Experience gains and losses on scheme liabilities	344	0	0	(70)	0
Changes in financial assumptions	483	(1,091)	(25)	(967)	(371)
Experience adjustments on scheme assets	(401)	(11)	135	146	(614)

The annual contribution level for the period 1 February 2016 to 31 January 2017 will be increased in line with the Consumer Prices Index (CPI) from £170,028 to £170,368.

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	358	620	2,999
Additions	-	-	2	50	52
Disposals	-	-	(72)	(133)	(205)
At end of year	1,800	220	288	537	2,845
Depreciation					
At beginning of year	547	216	323	463	1,549
Charge for the year	76	4	9	92	181
Disposals	-	-	(72)	(131)	(203)
At end of year	623	220	260	424	1,527
Net book value					
At 31 December 2015	1,177	-	28	113	1,318
At 31 December 2014	1,253	4	35	158	1,450
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	357	594	2,953
Additions	-	-	2	50	22
Disposals	-	-	(72)	(133)	(196)
At end of year	1,800	202	287	490	2,779
Depreciation					
At beginning of year	547	202	323	438	1,510
Charge for the year	76	-	9	85	170
Disposals	-	-	(72)	(131)	(193)
At end of year	623	202	260	402	1,487
Net book value					
At 31 December 2015	1,177	-	27	88	1,292
At 31 December 2014	1,253	-	34	156	1,443

Freehold property at 31 December 2015 includes land at valuation of £280,000 (2014 £280,000) which is not depreciated.

11 Fixed asset investments

Group and Charity

	2015 £000	2014 £000
Market value at 1 January	6,541	6,375
Net movement in acquisitions and disposals	57	96
Cash withdrawn from the fund	(250)	-
Net gain/(loss) on revaluation	104	70
	<hr/>	<hr/>
Market value at 31 December	6,452	6,541
	<hr/>	<hr/>
Historical cost at 31 December	5,363	5,556
	<hr/>	<hr/>

All investments are carried at their market value.

An analysis of the market value of the investments at 31 December 2015 is as follows:

	2015 £000	2014 £000
Equities	4,153	4,488
Fixed Interest	1,642	1,423
Cash	311	315
Other	346	315

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.

Associate Undertaking

The Institution holds 33% of the issued share capital of Chemistry Innovation Ltd. 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 eighteen month period ended 30 June 2015 the accounts for the company show a loss of £33,561 (2013:£1,177) and net liabilities of £16,075 (2013: net assets £17,486).

12 Debtors

	Group		Charity	
	2015 £000	2014 £000	2015 £000	2014 £000
Trade debtors	743	1,186	541	950
Amount due from subsidiaries	-	-	383	407
Other debtors	88	48	66	48
Prepayments and accrued income	309	299	281	275
	<u>1,140</u>	<u>1,533</u>	<u>1,271</u>	<u>1,680</u>

13 Creditors: amounts falling due within one year

	Group		Charity	
	2015 £000	2014 £000	2015 £000	2014 £000
Trade creditors	442	517	419	527
Other creditors	209	391	70	237
Taxation and social security	122	127	82	78
Accruals	263	290	247	266
Deferred income	1,508	1,196	1,225	973
	<u>2,544</u>	<u>2,521</u>	<u>2,043</u>	<u>2,081</u>

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 Commitments

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

	Group and Charity			
	2015 Land and buildings £000	2015 Other £000	2014 Land and buildings £000	2014 Other £000
Operating leases which expire:				
In less than one year	165	24	160	21
In the second to fifth years inclusive	356	49	452	66
	<u>521</u>	<u>73</u>	<u>612</u>	<u>87</u>

15 Analysis of movements in restricted funds

	International Process Safety Group (IPSG)	European Process Safety Centre (EPSC)	John Collier Memorial Fund	Andrew Legacy Fund	Total
	£000	£000	£000	£000	£000
At 1 January 2015	77	381	37	1,496	1,991
Incoming resources	24	226	-	60	310
Resources expended	(29)	(269)	-	(39)	(337)
Net gain/(loss) on investment	-	-	-	23	23
At 31 December 2015	72	338	37	1,540	1,987

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 IPSG 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.

16 Analysis of group net assets between funds

Fund balances at 31 December 2015 are represented by:

	Unrestricted funds £000	Group and Charity Restricted funds £000	Total £000
Tangible fixed assets	1,318	-	1,318
Investments	5,004	1,448	6,452
Pension scheme funding deficit	(2,625)	-	(2,625)
Net current assets / (liabilities)	100	539	639
Total net assets	3,797	1,987	5,784

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

	2015 £000	2014 £000
Net Income / (Expenditure)	(789)	344
Adjustments for:		
Depreciation on tangible fixed assets	181	201
(Gains) / losses on investments	(104)	(70)
Dividends and interest from investments	(128)	(133)
Investment management fees	71	37
Loss / (profit) on disposal of tangible fixed assets	2	-
Difference between pension charge and cash contribution	(57)	(77)
Decrease / (increase) in debtors	393	(59)
Increase / (decrease) in creditors	23	(549)
Change in cash and cash equivalents due to exchange rate movements	75	21
Net cash (used in) provided by operating activities	(333)	(285)

18 Related party transactions

During the year the Professor J Seville, Deputy President, served as a Board Member of Engineering Council. The Institution collects registration and application fees from its members which are passed on to Engineering Council. Total registration and application fees collected during the year amounted to £372,342 (2014: £345,000). The balance outstanding at the year end, which is included in creditors accruals, is £1,622 (2014: £33,979).

In May 2015 IChemE held a joint conference, Hazards AP, in conjunction with CICM (Chemical Industries Council of Malaysia) of which Mr P Ellis, VP International, is a Director. The Institution incurred marketing and staff costs relating to the conference which amounted to £45,530 (2014: £nil) which was reimbursed by CICM. The conference made a small loss and the share of the loss due to be paid by the Institution to CICM was £1,805 (2014: £nil) which is included in creditors accruals.

During the year recharges have been made between the charity and its subsidiary undertakings in Australia, Malaysia and New Zealand. Recharges are made for staff costs and direct costs incurred by the charity in support of the operating activities of the subsidiaries, and for income collected by the subsidiaries from members for third party registrations fees, journal subscription fees and benevolent fund donations.

The net amount recharged in 2015 was:

	2015 £000	2014 £000
IChemE in Australia	99	62
IChemE in Malaysia	49	107
IChemE in New Zealand	5	5

The balances outstanding at year end which are included in debtors for the charity are:

	2015 £000	2014 £000
IChemE in Australia	3	17
IChemE in Malaysia	186	170
IChemE in New Zealand	34	55

The charity incurred staff costs of £29,000 (2014: £47,000) in support of advertising sales activity which has been recharged to IChemE Ltd. IChemE Ltd gift aids its operating profit to the charity and the balance of £160,000 (2014: £164,000) is included in debtors for the charity at year end.