

Speech notes for the Honorary Treasurer's Report by Mr K J Rivers to the 95th Annual General Meeting of the Institution of Chemical Engineers at the Birmingham International Convention Centre on Wednesday 10 May 2017

"Good afternoon, and now for some the most interesting part of AGM where we discuss the money.

In his address, Jonathan Seville talked a lot about how our Institution has been Advancing Chemical Engineering World Wide. But you may be pleased to note that you will find little to do with "Financial Engineering" in the accounts.

The accounts have been put together in strict accordance with the accounting standards (IFRS – International Financial Reporting Standards) and with the latest Charities Commission SORP (Statement of Recommended Practices). The accounts have been scrutinised and verified by our independent auditors (BDO) and been given a clean bill of health.

Opinion on financial statements (See page 12 of the accounts)

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 2016 and of the group's and parent charity's incoming resources and application of resources, including the income and expenditure, 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
- sufficient accounting records have not been kept; or
- the parent charity's financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

The financial rules & regulations do lead to a comprehensive statement of the Institutions financial affairs, however, the resulting 32 pages of accounts & notes may not always be as helpful to the non expert/non trained accountant in providing the necessary transparency and clarity, so I would refer you particularly to pages 6 & 7 where we have attempted to provide a summary of the main points.

Last year, I reported at the AGM that the Institution had a deficit of £789 k (the first in 12 years) primarily as a result of the impact of lower oil prices and knock on effect of training and conference attendance, but also due to some structural changes in advertising revenues due to moves from print to virtual publications.

These factors have continued to play through into 2016 as we anticipated. At last year's AGM, I mentioned that forecasts for 2016 were showing an operational budget deficit of £500 k (in non restricted funds).

Through sterling work by Institution staff and some difficult and painful decisions (including a voluntary redundancy programme to reduce head count plus re-phasing project activities) we clawed the projected operational deficit (in non restricted funds) back to a break even position. This has led to an overall surplus (taking into account investment returns and restricted fund activity) to a surplus of £436 k compared to deficit last year of £789 k.

Whilst conditions remain challenging, I am confident that the Institution will continue be in overall surplus in 2017 as we continue to roll out the new Institution strategy that Jonathan has highlighted.

Just a quick word on our revenues, reserves and pension liabilities.

Revenues grew from £7.4 m in 2015 to nearly £8 m in 2016. Whilst the increase in subscriptions played a role (£250 k), we also saw a recovery in conference & events (£200 k) and journals (£100 k), whilst small improvements in training (£50 k) were offset by advertising (£50 k).

On reserves, the level of unrestricted reserves increased from £5.1m to £5.6 m

This level of free reserves is stated before taking account of the pension-funding deficit of £5,615,000 (2015: £2,625,000) 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 actuarial loss on the pension fund seen in 2016 reflects lower bond yields which increases the weight of future liabilities. The Pension Fund Trustees (in consultation with the Institution) have been looking at ways to further de-risk the scheme.

The current level of reserves held is in excess of policy. We take a very conservative approach on required reserve level (committed costs + 10%) which for 2016 was £4 m. Looking at the commitments for this year; I would expect required reserves to reduce (£3.5 m).

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. This level of reserves puts the Institution in a relatively comfortable position as we move through testing times and provides flexibility to use "excess reserves" to invest in our strategy if suitable opportunities arise and Council think it prudent.

Thank you for your attention.

Now I'm happy to take any questions...

ENDS