

The **Institution**
of **Structural**
Engineers

ANNUAL REPORT AND ACCOUNTS

for the year to 31 December 2018

International HQ
47-58 Bastwick Street, London, EC1V 3PS, United Kingdom

Telephone: +44(0)20 7235 4535
Email: mail@istructe.org
Website: istructe.org

Charity Registered in England & Wales No 233392
and in Scotland No SC038263

Contents

		Page
1	Introduction	3
2	Objects and Activities	3
3	Achievements and Performance	4
4	Financial Review	5
5	Plans for Future Periods	7
6	Structure, Governance and Management	8
7	Reference and Administrative Information	15
8	Financial Statements	16

1 Introduction

The Institution's Board (whose members are the Trustees of the Charity) submits its annual report and accounts for the Institution of Structural Engineers for the year ended 31 December 2018. In preparing the report, the Board has complied with the Charities Act 2011, the Trustee Investment (Scotland) Act 2005, the Statement of Recommended Practice – Accounting and Reporting by Charities (2015) ('SORP') and applicable accounting standards.

2 Objects and Activities

2.1 Objects

The Institution's objects are laid down in its Royal Charter, and may be summarised as being:

- To promote the advancement of structural engineering; and
- To facilitate the exchange of information and ideas relating to structural engineering.

2.2 Aims

The Institution's aim is to accredit and support a corps of highly qualified structural engineers for the safe, sustainable, effective and efficient design, construction, adaptation, maintenance and refurbishment of buildings, bridges and other structures throughout the world.

2.3 Main Activities

The Institution, in furtherance of its objects to promote for the public benefit the general advancement of the art and science of structural engineering, continued to maintain and disseminate information and ideas on structural engineering to its members. Activities were focussed on:

- Maintaining high standards of professional qualifications for structural engineering
- Assisting members to maintain their professional competence
- Fulfilling the Institution's learned society role
- Promoting the Institution and the profession of structural engineering
- Ensuring an on-going value for money and efficiency in the management of the Institution's affairs
- Valuing members' voluntary time in supporting the activities of the Institution and utilising that support as effectively as possible

2.4 Objectives for 2018

The objectives for 2018 included:

- The launch of a supplementary examination in the United States
- The launch of a specialist diploma in Fire Engineering
- Development of on-line training courses for conceptual design and examination preparation
- Development of a business plan for an Alternative Dispute Resolution Service
- Continuation of the Business Transformation Project commenced in 2016 with a focus on a redesign of the Institution's website and development of an integrated e-commerce solution.
- The start of implementation of recommendations from the governance review completed in 2017.
- Creation of a joint venture company with the Institution of Civil Engineers in relation to the existing SCOSS and CROSS schemes.

2.5 Public Benefit

2.5.1 Benefits from aims

The general public throughout the world benefit from a safe and well-designed infrastructure provided by the highly skilled members of the Institution. This has a knock-on effect benefitting the world economy by providing employers with employees (who are Institution members) having an internationally recognised specialist professional qualification.

Public benefit is also gained from the ongoing professional support provided to members to keep their knowledge and skills up to date and relevant.

2.5.2 Membership benefits

The Institution is a membership organisation and members' annual subscriptions form a significant part of the Institution's income, which is used to fund its activities for the public benefit. Members themselves receive benefits through the Institution's dissemination of knowledge and best practice, and from their membership of a profession with high standards of entry and continuing membership. However, it is only with and through its members that the Institution can continue to fulfil its objects and provide benefit to the public as a whole.

2.5.3 Charity Commission Guidance

The Board has regard to guidance on public benefit published by the Charity Commission, when exercising its powers and duties and where such guidance is relevant. The Trustees have considered the Charity Commission's general guidance on public benefit and have taken it into account when reviewing the Institution's aims and objectives and in planning its future activities.

3 Achievements and Performance

3.1 Overall Review

2018 saw the Institution making good progress in support of the strategy approved by the Board in 2014.

Objectives set for 2018 which were accomplished during the year included:

- The launch of a supplementary examination in the United States.
- Starting to implement the recommendations from the governance review completed in 2017.
- Launch of an on-line Conceptual Design course.

The specialist diploma in Fire Engineering was developed in 2018. It will be launched with a promotional campaign in early 2019 with the first sitting taking place in July 2019.

By the end of the year development of an on-line examination preparation course and a business plan for putting in place a register of structural engineering expert witnesses were well advanced. Both of these are expected to be implemented in 2019.

The implementation of recommendations from the governance review undertaken in 2017 commenced during 2018 and will continue into 2019.

The Business Transformation Project commenced in 2016 continued. During the year the focus was on user experience research leading to a redesign of the Institution's website and development of an integrated e-commerce solution. By the end of the year plans were well advanced for the launch of a new website in 2019. In conjunction with this project a rebranding exercise was also undertaken.

The creation of a joint venture company with the Institution of Civil Engineers in relation to the existing SCOSS and CROSS schemes was not quite achieved in 2018. However, Structural-Safety Ltd was incorporated in the first week of 2019.

Workshops were held at the February Council meeting the output from which was distilled into a report *The future of our profession* (published in *The Structural Engineer* November/December 2018) which identified key priority areas for the Institution to consider.

During the year the Institution collaborated with other professional bodies around the world including other professional engineering institutions, the Royal Academy of Engineering (RAEng) and the Construction Industry Council (CIC) (built environment organisations) on matters of mutual interest. Of particular note is work undertaken with CIC in response to the recommendations of the Independent Review of Building Regulations and Fire Safety, chaired by Dame Judith Hackitt, following the fire at Grenfell Tower in London in June 2017.

3.2 Scotland

The Scottish Regional Group delivered a full professional programme during 2018. This included 8 evening lectures, 5 half-day seminars, one full day seminar, a student model competition, and a series of evening workshops (in Glasgow and Edinburgh) preparing candidates for the Chartered Membership examination. All of these were well attended with average attendance at evening meetings being 70 and an average of 120 at afternoon seminars. The Young Members' Group organised 3 evening meetings with average attendance of 60 at these events.

The Group continues to assist with the assessment and processing of membership applications for candidates residing in Scotland and is represented on the Institution's Council and on headquarters' committees.

Liaison has also been maintained with the Institution of Civil Engineers, BCSA, HSE, the Concrete Society and the Institution of Engineers and Shipbuilders in Scotland (IESIS), with one joint evening meetings held with IESIS. The group continues to build working relationships with other bodies including RIBA, RIAS, GIA, IET, IMechE, CIBSE, CIMCIGS and others through the Federation of Engineering Institutions. The Group is a consultee on changes to legislation affecting the industry proposed by Scottish Government.

The Group fosters good links with schools and younger people to promote greater awareness of the importance of the engineering profession and once again supported the Rotary Club technology events throughout Scotland.

The Institution's trading subsidiary Structural Engineers Registration Ltd operates a Scheme of Certification of Design (Building Structures) under the Building (Scotland) Act 2003 for the Scottish Government Building Standards Division.

4 Financial Review

4.1 Trustees' Responsibilities for the accounts and financial statements

The Charities Act 2011 requires the Trustees to prepare financial statements for each financial year which give a true and fair value of the state of affairs of the charity at the end of the year and of the incoming and outgoing resources for the year then ended.

In preparing those financial statements, the Trustees are required to select suitable accounting policies and then apply them consistently, making judgements and estimates that are reasonable and prudent. The Trustees must also prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the charity will continue its activities.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Charities Act 2011. The Trustees are also responsible for safeguarding the assets of the charity and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the charity's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the charity's website is the responsibility of the Trustees. The Trustees' responsibility also extends to the ongoing integrity of the financial statements contained therein.

The Trustees are satisfied that these requirements are being met.

4.2 Review of the year

Financial performance during 2018 was good with the year-end position of a surplus of £57k being approximately £139k better than the budget set for the year. Total Group income was £7.4m, with £4.1m coming from members' subscriptions and £2.1m from the trading subsidiaries.

Repayments on the mortgage (circa 9.6% of asset value) taken to fund the redevelopment of the building in Bastwick Street in 2014 were fully discharged within the forecast cash flow parameters agreed by the Board and the Institution's Bankers.

Some 64% of the Institution Group's income comes from membership and qualification activities; 4% from advertising and online income from *The Structural Engineer*; 17% from the trading activities of SER; 1% from publications sales; 4% from courses and conferences; and the remaining 10% from a range of smaller activities within the charity and the trading companies.

The Institution has a vision "to lead, support and nurture the development of structural engineering worldwide". During 2018 the Board continued to evaluate how best to prioritise and fund development activity in pursuit of this vision whilst taking full cognisance of available revenues.

4.3 Reserves

At the end of 2018, the Institution had total unrestricted reserves, after the pension reserve, of £9.0m. The majority of this is Designated Funds, and in particular the Bastwick Street Fund (see note 16 to the financial statements), with £2.4m in the General Fund.

As at 31 December 2018 the Institution had free reserves of negative £0.5m. Free reserves are calculated using the total Unrestricted Fund, less Designated Funds (excluding the Bastwick Street Fund) and Fixed Assets, adding back the loan used for the redevelopment of Bastwick Street. The negative figure for free reserves reflects the Institution's purchase of freehold property in 2014 and its redevelopment. As a consequence the Institution moved from holding high cash reserves to having a long term fixed asset.

The negative free reserve position is not an undue concern given it is mitigated against by the use of the freehold property in generating income and that as commercial revenues grow, and with the offset of depreciation, the Trustees expect free reserves to return to a positive position. The free reserves position will be monitored on an annual basis.

During 2016 the Board reviewed the reserves policy and agreed that the target should be to hold minimum free cash reserves equivalent to three months of expenditure, currently approximately £1.8m. During much of 2018 this target was not met partially as a result of

capital and operational expenditure on the Institution's Digital Transformation Project which was not factored in to the 2016 Board review (the minimum figure being £1.2m). With the advance receipt of subscriptions for 2019 as at 31 December 2018 free cash reserves were £2.0m. During 2019 the Board will consider the strategy to be adopted in order to increase the level of cash reserves as part of a five-year planning exercise and whether the 2016 reserve target remains an appropriate measure.

4.4 Funds

The Institution's restricted and designated funds are described in notes 15 and 16 to the Financial Statements, respectively.

The Board decides on a year-by-year basis the amounts that are placed in each designated fund, and monitors actual income and expenditure against the operating forecast.

4.5 Pension Asset

To reflect the accounting surplus on its (1973) Pension and Life Assurance Scheme, a pension asset is reflected in the accounts, for both the year-ending 31 December 2018 (£513k), and year-ending 31 December 2017 (£196k).

4.6 Grant making policy

4.6.1 The Institution and Regional Group Awards

In furtherance of its objects particularly in relation to the exchange of information and ideas relating to structural engineering, the Institution has a policy of encouraging its members in order to ensure that the work they undertake is carried out to a high standard. As part of this policy of encouragement, awards are given each year to members for technical papers, presentations at meetings in the regional groups, for the best students at higher educational establishments in regional areas, and for newly-built structures. The recipients of these awards are determined by the Papers Awards Judging Panel, the Structural Awards Judging Panel or, in the case of those awarded at a local level, the relevant regional group committee. Each of these award winners receives a certificate. Some also receive a plaque or a financial reward (in the £50-£200 range).

4.6.2 Research Fund

The Institution's Research Fund (administered by the Research Panel, which reports to the Design Practice, Risk and Structural Safety Committee) makes grants to support research in structural engineering in both industry and academia, including at undergraduate and masters level. It also supports young researchers through the annual Young Researchers' Conference. These activities contribute to the Institution's promotion of the advancement of structural engineering.

5 Plans for Future Periods

5.1 Long and medium-term strategy

In 2014 the Institution's Board approved a strategy to guide its direction of travel from 2015 to 2020 and to inform the longer term period to 2025. This was reviewed by the Board during 2018.

In summary the strategy is two-fold:

- An Institution committed to competency.
- An Institution founded on communities.

As a long-term strategy, the Institution has a vision that consolidates its existing position as the leading international specialist professional body for structural engineers committed

to supporting the well-being of society through activities that assist structural engineers acquire, maintain and develop the necessary competencies to practice.

Internationally it will achieve these aims by:

- Extending the reach of comparability examination standards.
- Offering on-line assessment examinations to support the development of young professionals.
- Developing collaborative relationships with international institutions to enable shared access to technical, engineering and educational materials.
- Developing a range of affiliate membership programmes that may have particular attraction in countries that do not have formal competency tests.

The Institution has also identified engineering themes that it can champion to promote dialogue both internally and externally with audiences that extend beyond its own current constituency of structural engineers. The broad areas of interest are:

- Safety of society.
- Sustainability of society.
- Value of society.

The Institution has embarked on a major programme of digital transformation which will be a critical component of connecting a worldwide cohort of engineers. Development of the Institution's web platforms will increase the ability to access and share relevant information between member communities that may be founded on areas of common interest, need and expertise.

5.2 Looking ahead to 2019

The Board has endorsed a programme of objectives for 2019 in support of the 2014 strategic plan. These include:

- Launch of on-line examination revision and temporary works courses.
- An international conference, *Iconic Global Structures: what can we learn?*, in collaboration with the Structural Engineering Institute (based in the USA) in Dubai, United Arab Emirates.
- A Computational Design conference.

The Business Transformation Project will focus on:

- Completion of phase 1 of the development of the Institution's website culminating in the launch of a new site.
- Phase 2 of development of the Institution's website including events and courses management and rebuilding of *The Structural Engineer* site.
- Project planning for procurement of a new CRM system in 2020.

6 Structure, Governance and Management

6.1 Organisational Structure

The Institution was founded in 1908 and was incorporated by Royal Charter on 4 May 1934; the current Supplemental Charter, with associated Bye-laws, was granted on 1 December 2004. The Charter empowers the Board to make Regulations relating to the Institution and for the conduct of members. They are kept under review, and were last amended during 2018.

The Institution's activities are conducted through the Institution itself and also through its two wholly owned subsidiaries - IStructE Ltd and Structural Engineers Registration Ltd (SER) - collectively referred to as 'the Institution Group'.

Authority to conduct the day-to-day operations of the Institution is delegated by the Board to the Chief Executive, who is responsible to the Board for the efficient running of the

Institution and for the implementation of policies and strategies, with the help of the staff directorate. During the year, a new Executive Leadership Team was established comprising the Chief Executive, the Deputy Chief Executive (with specific responsibilities for membership and learned society activity) and a newly appointed role of Chief Operating Officer (with specific responsibilities for operational, marketing and commercial activities).

The Council (which includes members elected by and from Chartered and Incorporated Structural Engineers, Technician Members and graduates worldwide, as well as regional group chairmen and others) supports the Board in determining the core values and strategic aims of the Institution. Although its role is essentially advisory and consultative, it debates and influences policies, offers advice to the Board, and each year it elects the President and the Board.

6.2 Governance

The President is, ex officio, chairman of the Board, which comprises 10 other members. Each year, the Council appoints three Vice-Presidents and one Past President to the Board. The other members of the Board are elected by and from members of the Council.

The Vice-Presidents who were not otherwise members of the Board attended Board meetings by invitation. The Board may invite specialist advisers to attend. The Chief Executive and other members of the staff directorate team are also in attendance. Such persons do not thereby become members of the Board and may not vote on any matter to be decided by it.

The Institution's 'session' commenced on 1 January 2018; when the incoming President and members of the Board, the Council and committees took office. The session ran to 31 December 2018. At the first meeting of the session, Board members received training in trusteeship.

At the end of the session, each Board member was asked to complete an evaluation of their own performance during the year and that of the Board, and a report was given to the Board of the outcome so that improvements may be effected.

6.3 Management

6.3.1 Committee and Panels

The committee structure is shown on page 10.

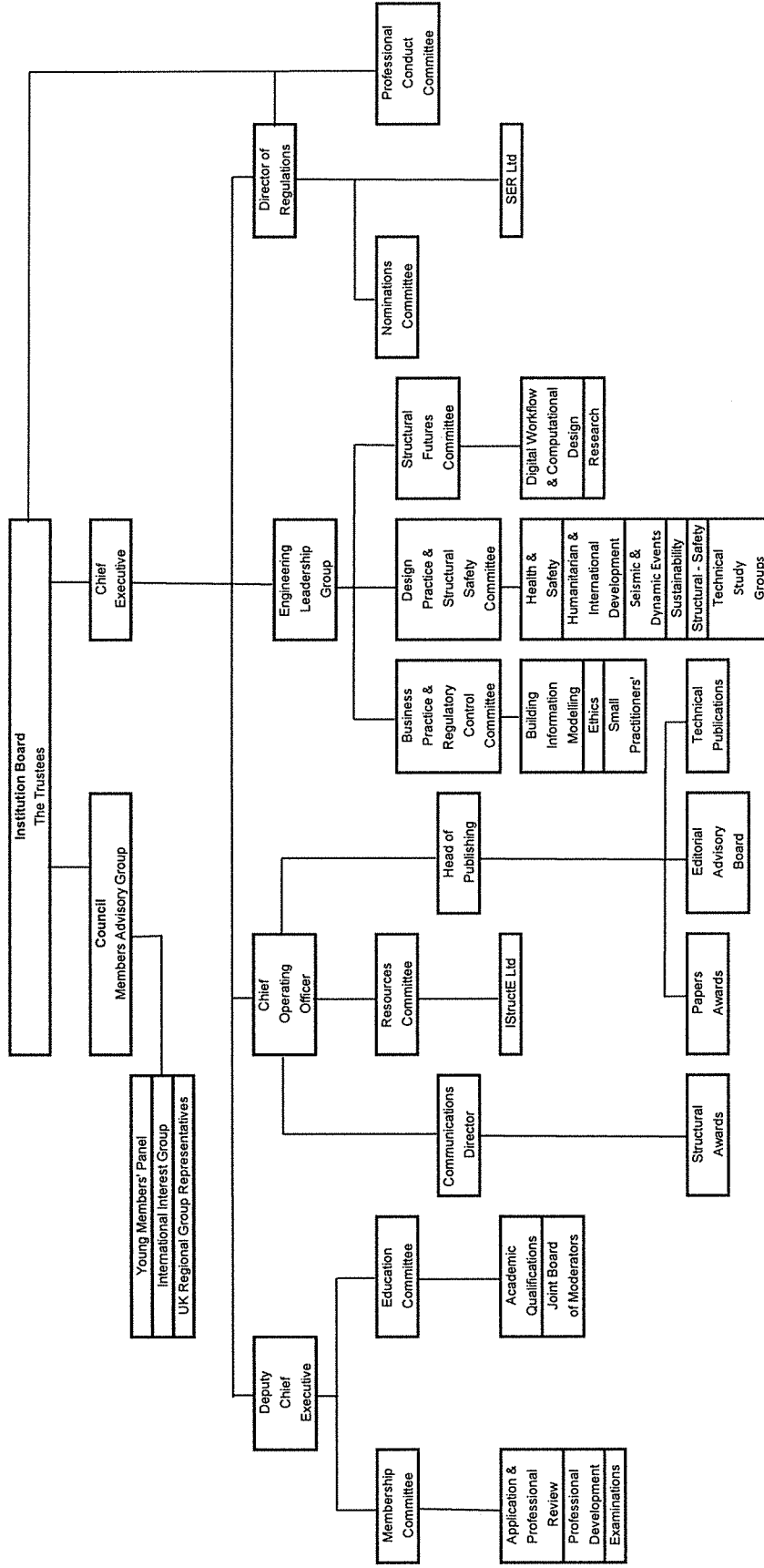
The Membership Committee advises on policy with regard to membership of the Institution, including setting and maintaining standards to qualify structural engineers globally.

The Education Committee advises on policy concerning school and university education for potential members and throughout member's careers.

The Engineering Leadership Group advises on policy concerning technical matters related to structural engineering. It is assisted in this task by three topic head committees.

The Resources Committee assesses and reviews the Institution's resources needs (finance, staff and premises).

The Professional Conduct Committee keeps the code of conduct, guidance notes and disciplinary procedures under review, and investigates allegations of misconduct made against members and also misrepresentations relating to Institution membership.



Committee Structure 2018

The Nominations Committee makes annual recommendations to the Council concerning the election of the President, the Vice-Presidents and the other members of the Council and also the appointment and election of members of the Board. It also adjudicates on Institution Awards made to individuals.

Panels, which deal with specific areas of activity, report as shown on page 10.

6.3.2 Regional Groups

Institution members throughout the world, where there are sufficient concentrations of members, are allocated to regional groups. Such regional groups are run by committees, which arrange learned society, continuing professional development and networking events, to complement those organised by the Institution centrally. Each group has regulations for its governance, which have been approved by the Trustees.

6.3.3 Staff

With an average number of staff employed during the year of 57, the staff establishment at 31 December 2018 was 65 (which included 11 part-time staff). At 31 December 2017, the comparable figure was 61 (including 11 part-time staff). The staff organogram is on page 12.

The staff have adopted the following mission statement as the focus of their aspirations:

To provide a service of excellence to members and non-members in the field of Structural Engineering in a professional, conscientious and efficient manner.

All staff receive an induction into the organisation and access to ongoing learning and development activities which supports their continuing professional development.

Staff are rewarded with a market comparable pay and benefits package.

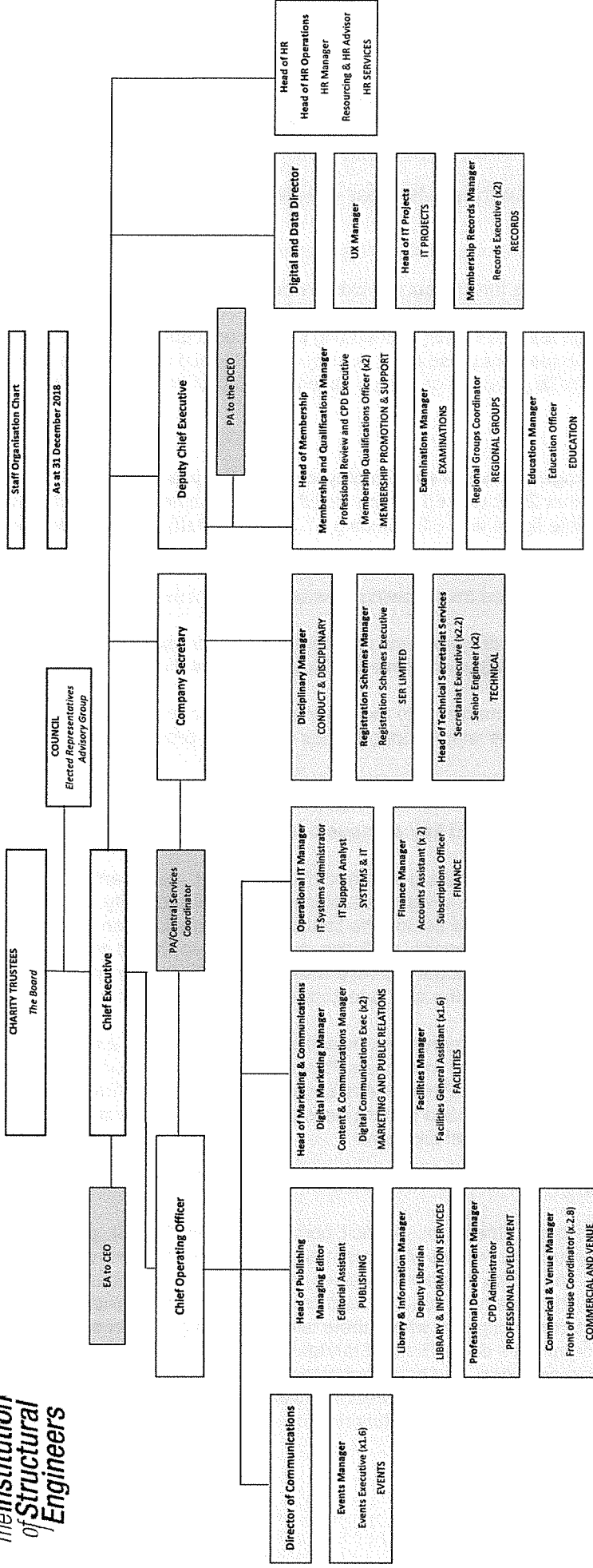
6.3.4 Pay and remuneration of key management personnel

As part of the annual operating plan and budget review, the Board approves an inclusive percentage uplift for annual salaries that is based on affordability; benchmark assessments to reflect the sector; the Institution's central London location and Government published national statistics. Against the approved criteria, the Chief Executive approves individual increase awards. In 2018 awards for all staff, including key management personnel (the staff directorate), were awarded at a flat rate level.

The Chief Executive's remuneration is assessed separately by a panel of senior Board members that includes the Immediate Past President, the Senior Vice-President and the President against criteria that includes benchmark and trend information compiled by the Institution's HR Manager and performance objectives that have been agreed between the review panel and the Chief Executive.

6.3.5 Volunteers

All members of the Board, the Council, committees, panels, task groups, advisory groups and study groups (as well as members serving the Institution on regional group committees and acting in other capacities) are volunteers, numbering at least 600 individuals. Additionally, around 20 members act as Institution representatives in countries outside the United Kingdom where there is no regional group; and around 50 members serve on committees of the British Standards Institution, construction and engineering technical organisations, and educational institutions. This represents considerable commitment and input to the profession, mainly by senior members, which is to the public benefit as well as that of the Institution itself.



65 posts of which 11 are part-time

6.3.6 Risk Management

The Board acknowledges its responsibility for managing the risks to which the Institution is exposed. It oversees an on-going assessment of the major risks – in particular those relating to strategic objectives, operations, finances and reputation. Control systems are in place to manage those risks.

The responsibility for providing guidance to the Board on matters relating to finance and operational risk is delegated to the Resources Committee. Strategic and reputational risk matters are primarily under the direction of the staff directorate and discussed at regular intervals with the Board.

The principal risks facing the Institution, with the key actions in place to mitigate against them are:

- Reduction in membership – Income from membership subscriptions is key to the Institution. In order to mitigate against a reduction in the number of members as the result of demographic factors and also to seek to grow the membership the Institution has introduced initiatives including:
 - An increased range of products and services including CPD course provision, an on-line structural behaviour course, Essential Knowledge texts, Technical Guidance Notes and e-library provision.
 - Increased involvement in careers activities including production of educational videos and a focus on young member events including the 2018 Young Engineer Conference.
 - Increasing the number of candidates eligible to proceed to Chartered Membership by mapping the examinations offered by other international structural engineering bodies against the Institution's examinations and introducing supplementary examinations to assess those areas that are not tested.
 - Improving accessibility to professional membership by introducing flexibility in how candidates may satisfy the Masters level academic requirement, the order in which candidates may take their Professional Review Interview/Examination and changing the Supporter requirements in terms of reducing the number of Members required to sign candidates' application forms.
- Data Protection – The Institution's operations are heavily reliant on the use of the personal data of both members and non-members. A risk-based approach to data security is taken and appropriate technical and organisational measures are in place. Further to the introduction of the General Data Protection Regulation in May 2018 all associated policies and procedures have been reviewed and updated as necessary.
- Resilience of commercial revenue – In order to reduce reliance on income from membership subscriptions a number of revenue streams, have been developed through IStructE Ltd and continue to be grown. To minimise the risk associated with these only modest growth is assumed when developing budgets for these activities.
- Reduction in income from Structural Engineers Registration Ltd (SER) – Income from SER is largely linked to the level of activity in the Scottish construction industry which is outside the company's control. A prudent approach is therefore taken to budgeting.
- Increase in staff costs – As with most membership organisations the Institution's employee related costs is the key component of total expenditure. The risks associated with staff costs are managed through a rigorous annual budgeting process and close scrutiny to confirm the business need for any additional staff costs.
- Increases in the cost of capital expenditure – Where significant projects involving capital expenditure are undertaken there is likely to be a risk of increases in costs.

Mitigation measures include development of detailed project specifications before they are commenced and appropriate levels of project management.

- Health and safety – Presenting reputational and legal risks as well as the primary risk to the safety and health of staff and others, the Institution takes this risk area seriously. A health and safety policy is in place together with supporting documents and appropriate procedures. As with commercial revenue this area of risk minimisation and mitigation falls within the remit of the COO, who appointed in 2018 has given a further level of scrutiny to the process and methods.

6.3.7 Fundraising

Section 162a of the Charities Act 2011 requires charities to make a statement regarding fundraising activities. Although the Institution does not undertake widespread fundraising from the general public, the legislation defines fund raising as 'soliciting or otherwise procuring money or other property for charitable purposes' Such amounts receivable are presented in the Institution's accounts as 'donations and legacies'.

In relation to the above the Trustees confirm that all solicitations are managed internally, without involvement of commercial participators or professional fund-raisers, or third parties. The day to day management of all income generation is delegated to the staff directorate, who are accountable to the Trustees.

The Institution is not bound by any undertaking to be bound by any regulatory scheme and does not consider it necessary to comply with any voluntary code of practice. No complaints have been received by the Institution in relation to fundraising activities.

The Institution's terms of employment require staff to behave reasonably at all times; as it does not approach individuals for funds it does not particularise this to fundraising activities nor is it considered necessary to design specific procedures to monitor such activities.

6.3.8 Subsidiary Companies

The Institution's subsidiary companies are listed in note 7 to the Financial Statements.

6.3.9 Connected Charities

6.3.9.1 The Institution of Structural Engineers Benevolent Fund

The Institution of Structural Engineers Benevolent Fund is deemed a connected charity as its objects restrict its beneficiaries to current or former members of the Institution and their dependents or former dependents, and as it benefits from administrative services provided by the Institution. During 2018 the Institution donated £14,891 of administrative services to the Benevolent Fund and collected £44,613 of donations from its members and paid these to the Fund.

6.3.9.2 The Institution of Structural Engineers Educational Trust

The Institution of Structural Engineers Educational Trust is deemed a connected charity by having similar objects to the Institution and benefitting from administrative services provided by the Institution. During 2018 the Institution donated £4,884 of administrative services to the Educational Trust. During the year the Educational Trust transferred its funds to the Institution and at 31 December 2018 it was in the process of being wound up.

7 Reference and Administrative Information

7.1 Registration

The Institution is registered with the Charity Commission for England and Wales under number 233392 and the Office of the Scottish Charity Regulator under number SC038263.

7.2 Address of principal office

The Institution's address is 47-58 Bastwick Street, London, EC1V 3PS.

7.3 Trustee Board

During 2018 the Trustees were:

Glenn Bell	David Knight	Marelize Visser
Jane Entwistle	Victoria Martin	Faith Wainwright
Ian Firth*	Don McQuillan	Ron Watermeyer*
Joe Kindregan	Simon Pitchers*	

Those marked* were no longer in office at the date of the approval of this report.

K F Chung, Shalini Jagnarine-Azan and Ashutosh Nene were appointed Trustees from 1 January 2019.

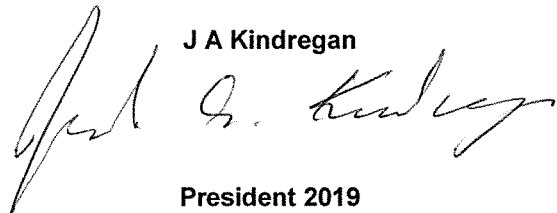
7.4 Staff Directorate

Martin Powell	Chief Executive
Darren Byrne	Deputy Chief Executive
Simon Flanagan	Chief Operating Officer (from October 2018)
Sue Doran	Company Secretary and Director of Regulations
Silvia Pilotto	Director, Digital and Data
Vipan Narang	Director, Corporate Services (until September 2018)
Peter Welland	Commercial Director (until October 2018)

7.5 Auditors

BDO LLP, 55 Baker Street, London W1U 7EU

Approved by the Board and signed on their behalf by


J A Kindregan
President 2019

Date: 9 May 2019

8 FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO TRUSTEES OF THE INSTITUTION OF STRUCTURAL ENGINEERS

Opinion

We have audited the financial statements of The Institution of Structural Engineers ("the Parent Charity") and its subsidiaries ("the Group") for the year ended 31 December 2018 which comprise the consolidated statement of financial activities, the consolidated balance sheets, the consolidated and Parent Charity cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Charity's affairs as at 31 December 2018 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 and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

Conclusions related to going concern

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

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

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The other information comprises the Report of the Trustees. The Trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities Accounts (Scotland) Regulations 2006 require us to report to you if, in our opinion;

- the information contained in the financial statements is inconsistent in any material respect with the Trustees' Annual Report; or
- proper accounting records have not been kept by the Parent Charity; or
- the Parent Charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the Trustees' Responsibilities for the accounts and financial statements, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Charity's trustees, as a body, in accordance with 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.

BDO LLP

BDO LLP, Statutory Auditor
Gatwick

Date: 13th May 2019

BDO LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under 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

Year ended 31 December 2018

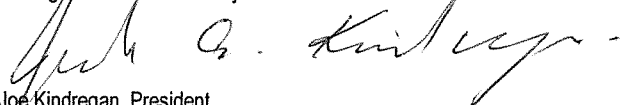
	Note	Unrestricted Funds £'000	Restricted Funds £'000	Permanent Endowment Funds £'000	2018 Total £'000	2017 Total £'000
Income						
Donations and legacies		34.0	23.8	-	57.8	49.3
Income from trading activities						
Gross income from charitable trade		133.2	-	-	133.2	132.0
Trading subsidiaries' income		2,114.1	-	-	2,114.1	2,131.6
Income from charitable activities						
Membership and qualification activities		4,771.6	-	-	4,771.6	4,561.7
Technical & professional learning and development		-	124.3	-	124.3	69.8
Other charitable activities		238.4	-	-	238.4	241.1
Investment income	2	3.5	0.3	0.1	3.9	0.2
Total income		<u>7,294.8</u>	<u>148.4</u>	<u>0.1</u>	<u>7,443.3</u>	<u>7,185.7</u>
Expenditure						
Cost of raising funds						
Cost of charitable trading	3	118.9	-	-	118.9	114.5
Trading subsidiaries costs		1,606.4	-	-	1,606.4	1,623.2
Charitable activities						
Membership and qualification activities	3	3,572.6	-	-	3,572.6	3,250.0
Technical & professional learning and development		844.8	148.0	-	992.8	903.7
Other charitable activities		1,093.0	-	2.9	1,095.9	1,001.0
Total expenditure		<u>7,235.7</u>	<u>148.0</u>	<u>2.9</u>	<u>7,386.6</u>	<u>6,892.4</u>
Net income/(expenditure) before tax		59.1	0.4	(2.8)	56.7	293.3
Corporation tax	18	(46.8)	-	-	(46.8)	-
Net income/(expenditure) after tax		<u>12.3</u>	<u>0.4</u>	<u>(2.8)</u>	<u>9.9</u>	<u>293.3</u>
Actuarial (loss)/gain on final salary pension scheme	21	167.0	-	-	167.0	(101.0)
Gift of assets from IOSE Educational Trust	23	-	34.4	-	34.4	-
Net movement in funds		<u>179.3</u>	<u>34.8</u>	<u>(2.8)</u>	<u>211.3</u>	<u>192.3</u>
Reconciliation of funds						
Total funds brought forward		8,791.1	252.7	34.0	9,077.8	8,885.5
Total funds carried forward		<u>8,970.4</u>	<u>287.5</u>	<u>31.2</u>	<u>9,289.1</u>	<u>9,077.8</u>

All of the above results are derived from continuing activities. All gains and losses recognised in the year are included above. The notes on pages 21 to 35 form part of these financial statements.

Consolidated and Charity balance sheet
Year ended 31 December 2018

	Note	The Group			Charity
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Fixed assets					
Tangible assets	6	9,598.0	9,749.5	9,598.0	9,749.5
Investment in subsidiary companies	7	-	-	0.1	0.1
		<u>9,598.0</u>	<u>9,749.5</u>	<u>9,598.1</u>	<u>9,749.6</u>
Current assets					
Stocks of publications	9	5.0	5.5	5.0	5.5
Debtors	10	395.4	370.9	516.9	713.0
Cash at bank and in hand		<u>2,345.2</u>	<u>2,188.3</u>	<u>1,769.7</u>	<u>1,660.9</u>
Total current assets		<u>2,745.6</u>	<u>2,564.7</u>	<u>2,291.6</u>	<u>2,379.4</u>
Creditors – amounts falling due within one year	11	<u>(2,785.0)</u>	<u>(2,514.5)</u>	<u>(2,530.3)</u>	<u>(2,329.3)</u>
Net liabilities		<u>(39.4)</u>	<u>50.2</u>	<u>(238.7)</u>	<u>50.1</u>
Creditors – amounts falling due after one year	12	<u>(782.5)</u>	<u>(917.9)</u>	<u>(782.5)</u>	<u>(917.9)</u>
Total net assets before pension scheme surplus		<u>8,776.1</u>	<u>8,881.8</u>	<u>8,576.9</u>	<u>8,881.8</u>
Pension scheme funding surplus	21	<u>513.0</u>	<u>196.0</u>	<u>513.0</u>	<u>196.0</u>
Total net assets after pension scheme surplus		<u>9,289.1</u>	<u>9,077.8</u>	<u>9,089.9</u>	<u>9,077.8</u>
Funds of the charity					
Unrestricted funds:					
Designated funds	16	6,088.6	6,310.7	6,088.6	6,310.7
General funds		<u>2,368.8</u>	<u>2,284.4</u>	<u>2,169.6</u>	<u>2,284.4</u>
Total unrestricted funds excluding pension reserve		<u>8,457.4</u>	<u>8,595.1</u>	<u>8,258.2</u>	<u>8,595.1</u>
Pension reserve	21	<u>513.0</u>	<u>196.0</u>	<u>513.0</u>	<u>196.0</u>
Total unrestricted funds		<u>8,970.4</u>	<u>8,791.1</u>	<u>8,771.2</u>	<u>8,791.1</u>
Permanent endowment funds	14	31.2	34.0	31.2	34.0
Restricted funds	15	<u>287.5</u>	<u>252.7</u>	<u>287.5</u>	<u>252.7</u>
Total funds		<u>9,289.1</u>	<u>9,077.8</u>	<u>9,089.9</u>	<u>9,077.8</u>

Approved by the Institution Board, authorised for issue
and signed on their behalf by:


Joe Kindregan, President


Jane Entwistle, Honorary Treasurer

Date:

Consolidated and Charity statement of cash flow

Year ended 31 December 2018

Reconciliation of changes in resources to net cash inflow from operating activities	Note below	Group		Charity	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cash flows from operating activities					
Net income after tax		9.9	293.3	(189.3)	293.3
Investment income	2	(3.9)	(0.2)	(3.9)	(0.2)
Interest payable		48.3	54.3	48.3	54.3
Depreciation	4	321.4	369.2	321.4	369.2
Decrease in stock	9	0.5	3.7	0.5	4.0
(Increase) / Decrease in debtors	10	(24.5)	(98.9)	196.1	8.4
Increase / (Decrease) in creditors	11	270.5	134.2	201.0	175.6
Difference between pension charge and cash contribution	21	(150.0)	(240.0)	(150.0)	(240.0)
Net cash generated from operating activities		472.2	515.6	424.1	664.6
Cash flow from investing activities					
Purchase of tangible fixed assets	6	(169.9)	(190.8)	(169.9)	(190.8)
Interest received	2	3.9	0.2	3.9	0.2
Net cash from investing activities		(166.0)	(190.6)	(166.0)	(190.6)
Cash flow from financing activities					
Capital element of mortgage repaid		(135.4)	(129.1)	(135.4)	(129.1)
Interest paid		(48.3)	(54.3)	(48.3)	(54.3)
Net cash from financing activities		(183.7)	(183.4)	(183.7)	(183.4)
Gift of assets from IOSE Educational Trust	23	34.4	-	34.4	-
Increase in cash in year		156.9	141.6	108.8	290.6
Cash and cash equivalents at the beginning of the year		2,188.3	2,046.7	1,660.9	1,370.3
Cash and cash equivalents at the end of the year		2,345.2	2,188.3	1,769.7	1,660.9

The notes on pages 21 to 35 form part of these financial statements.

Notes to accounts

Year ended 31 December 2018

1. Accounting policies

The financial statements have been prepared in accordance with 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) - (Charities SORP (FRS 102)), and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

The Institution of Structural Engineers meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

Pension Asset

To reflect the accounting surplus on its (1973) Pension and Life Assurance Scheme, a pension asset is reflected in the accounts, for both the year-ending 31 December 2018 (£513,000), and year-ending 31 December 2017 (£196,000). The amounts noted above are as shown on the Balance Sheet, page 19, under the heading 'Pension scheme funding surplus'.

Basis of consolidation

The financial statements include the consolidation of IStructE Limited and Structural Engineers Registration Limited (wholly owned subsidiaries of the Institution) on a line by line basis. The financial statements of the Institution's two connected charities, The Benevolent Fund and the Educational Trust, have not been included within the group consolidation. In addition, the overseas subsidiary IStructE (Asia-Pacific) Limited has not been consolidated as its activities were considered not to be material.

The activities of the international regional groups, together with their assets and liabilities, are not consolidated as being immaterial.

Income

All income is recognised in the Statement of Financial Activities when the conditions for receipt have been met and receipt is probable. The following accounting policies are applied to income:

Members' subscriptions and fees

Member's subscription and fees due are treated as income when receivable. Amounts received in respect of future years are carried forward in the accounts as deferred income until the relevant subscription year.

Donations and grants

Donations and grants are included in the financial statements when the conditions of receipt have been met.

Fees received for charitable services

These represent amounts receivable in respect of goods or services provided during the year. Income is recognised when in the year in which the event takes place. Any amounts received for future years are carried forward in the accounts as deferred income until the events take place.

Investment income and gains

Investment income, including any tax recoverable thereon, is included in the financial statements in the year in which it is receivable.

Expenditure

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably and includes irrecoverable Value Added Tax. Expenditure has been allocated on the basis indicated below:

Cost of raising funds

This cost category includes the cost of books sold and the operating costs of the two trading subsidiaries.

Charitable activities

This includes all expenditure directly related to the objects of the charity.

Membership and qualification activities

This comprises the costs involved in providing support and services to the members of the Institution.

Technical & professional learning and development

This comprises the costs related to the advancement and development of structural engineering.

Other charitable activities

This comprises the costs of training members and events.

Support costs

These costs represent the staffing and associated costs of finance, IT, and the general building and administration costs in supporting the operational activities for which the charity is responsible and governance costs. Governance costs include external audit, legal advice to the Trustees and costs associated with the Board. These are allocated as detailed in Note 3. The method of allocating support costs based on headcount changed in 2018 from using FYE (full year equivalents) to full-time posts, irrespective of whether these posts are filled by permanent or temporary staff. It is considered this method will give a fairer distribution of costs and lead to less fluctuation from year to year because of the mix of employment types. The figures for 2017 have been re-calculated to allow for the change and to provide a more informative comparison.

Fund accounting

The charity maintains various types of funds as follows:

Permanent endowment funds

These funds have been received by the Institution with specific restrictions on their use within the objectives of its Royal Charter and from which the income arising is available for fulfilment of those objectives. These funds comprise various prize funds.

Restricted funds

These funds have been received by the Institution with specific restrictions on their use within the objectives of its Royal Charter.

Unrestricted funds

These are available for the Institution to pursue its objectives under its Royal Charter and comprise:

Designated funds

Designated funds are amounts which have been put aside at the discretion of the Trustees. General unrestricted funds represent funds which are expendable at the discretion of the Trustees in the furtherance of the objects of the charity under its Royal Charter.

General fund

This represents the undesignated accumulated surpluses from funds available for the general objectives of the Institution.

Tangible fixed assets

Fixed assets are stated at historical cost less depreciation. Equipment renewals due to technological changes are charged to the Statement of Financial Activities. Depreciation is provided at rates calculated to write off the costs less land and estimated residual value on a straight-line basis over their estimated useful lives as follows:

Freehold premises 50 years
Computers 33.3% per annum on cost
Furniture and equipment 16.67% per annum on cost
Website 16.67% per annum on cost

Investments in subsidiaries

Investments in subsidiaries are shown at cost.

Stock

Finished stock and work in progress relates to technical publications and is stated at the lower of cost and net realisable value. Cost comprises the price of purchasing, compilation, printing and binding.

Cash at bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments.

Pension contributions

The Institution operates two pension schemes as follows:

Contributory final salary scheme

This scheme provides benefits based on final pensionable salary. The scheme was closed during 2002 and future pension arrangements were provided through a group personal pension plan. The assets of the final salary scheme are invested and are totally separate from those of the Institution. Contributions to the scheme are charged to income and expenditure to spread the cost over the employees' working lives with the Institution. These contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. In accordance with FRS102 a Pension surplus is recognised under certain conditions.

This scheme is being accounted for under FRS102, with the annually calculated notional surplus on the funding of the scheme shown in the accounts as a designated fund entitled "Pension Reserve" which is added to unrestricted funds in the balance sheet.

Group personal pension plan

The plan provides benefits based on contributions made and investment returns. The plan commenced during 2002 following the closure of the final salary scheme. Both the Institution and employees contribute to this plan. The assets of the plan are held in individual policies for each employee and invested

and are totally separate from those of the Institution. Contributions to the plan are charged to income and expenditure as incurred. During 2015, new and existing employees who are not in the plan were automatically enrolled unless they have exercised their right to opt out.

Leases

Rental costs under operating leases are charged to the Statement of Financial Activities in equal amounts over the periods of the lease.

Financial instruments

The Institution only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method. This is referred to in Note 13.

Current and deferred tax

The tax expense for the year comprises current and deferred tax. The current tax charge is calculated on all taxable income on the basis of tax rates and laws that have been enacted at the reporting date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date

2. Investment income

	2018 £'000	2017 £'000
Bank interest	<u>3.9</u>	<u>0.2</u>

3. Analysis of Support and Governance Costs

	Management £'000	Legal & finance £'000	Information technology £'000	Governance £'000	Total support and governance costs £'000	Direct costs £'000	Total £'000
<i>Basis of allocation</i>	<i>Head count</i>	<i>Head count</i>	<i>Head count</i>	<i>Head count</i>			
Charitable trading	34.6	6.4	11.0	7.6	59.6	59.3	118.9
Trading subsidiaries	180.1	33.3	57.3	39.4	310.1	1,296.3	1,606.4
Membership & qualification activities	828.0	153.1	263.4	181.2	1,425.7	2,146.9	3,572.6
Technical & professional learning & development	249.4	46.1	79.3	54.6	429.4	563.4	992.8
Other charitable activities	204.4	37.8	65.0	44.7	351.9	744.0	1,095.9
Total	<u>1,496.5</u>	<u>276.7</u>	<u>476.0</u>	<u>327.5</u>	<u>2,576.7</u>	<u>4,809.9</u>	<u>7,386.6</u>

Comparative figures for 2017

	Management £'000	Legal & finance £'000	Information technology £'000	Governance £'000	Total support and governance costs £'000	Direct costs £'000	Total £'000
<i>Basis of allocation</i>	<i>Head count</i>	<i>Head count</i>	<i>Head count</i>	<i>Head count</i>			
Charitable trading	31.7	5.8	9.6	7.2	54.3	60.2	114.5
Trading subsidiaries	200.0	36.4	60.3	45.1	341.8	1,281.4	1,623.2
Membership & qualification activities	695.2	126.5	209.6	156.9	1,188.3	2,061.7	3,250.0
Technical & professional learning & development	228.5	41.6	68.9	51.6	390.6	513.1	903.7
Other charitable activities	161.9	29.5	48.8	38.4	278.6	722.4	1,001.0
Total	<u>1,317.3</u>	<u>239.8</u>	<u>397.2</u>	<u>299.2</u>	<u>2,253.6</u>	<u>4,638.8</u>	<u>6,892.4</u>

Note: The comparative figures for 2017 have changed as explained in the accounting policies section under support costs.

4. Net income for the year is stated after charging

	2018 £'000	2017 £'000
Auditors' remuneration		
For audit services	22.4	21.0
For taxation services	2.8	2.8
Depreciation of fixed assets	321.4	369.2

5. Information regarding employees, trustees and key management personnel

The average number of staff employed by the Institution throughout the year was 57 (2017: 53) split across the below functions.

Function	2018	2017
Charitable trading	1	1
Trading subsidiaries	6	6
Membership and qualification	24	18
Technical and professional learning and development	7	6
Other charitable activities	5	6
Support and governance	14	16
Total	57	53

Staff costs comprise:

	2018 £'000	2017 £'000
Salaries	2,720.7	2,395.2
Permanent health insurance	42.6	28.9
Social security costs	279.8	247.8
Pension costs	272.7	279.2
Staff welfare, training and recruitment	124.5	139.7
	<u>3,440.3</u>	<u>3,090.8</u>

The salaries figure for 2018 includes £17,430 for compensation for loss of office.

The number of employees whose total emoluments amounted to £60,000 or above for the year is as follows:

	2018	2017
£ 60,000 - £ 70,000	1	2
£ 70,001 - £ 80,000	1	-
£ 80,001 - £ 90,000	2	2
£ 90,001 - £100,000	1	1
£160,001 - £170,000	1	1

All staff in this category are members of the Institution group personal plan. Pension contributions of £12,810 were paid in respect of the highest paid employee.

The Board is drawn from the membership of the Institution. No Trustee received any remuneration for their duties as Trustees (2017: none). Trustees are reimbursed for travelling expenses whilst engaged on the activities of the Institution.

Reimbursements were made as follows:

	£'000
Reimbursed in 2018 to 11 members of the Board	89.9
Reimbursed in 2017 to 12 members of the Board	92.8

The higher reimbursements to Trustees in 2017 reflect the nature of the international travel carried out by the President.

The breakdown of costs incurred for each Trustee is listed below.

Trustee	Country of Residence	Travel & Subsistence Incurred	Professional Review Fees	Total
F Wainwright (President)	United Kingdom	41.2	-	41.2
G Bell	USA	12.2	-	12.2
J Entwistle	United Kingdom	5.3	-	5.3
I Firth	United Kingdom	0.5	-	0.5
J Kindregan	Ireland	5.9	-	5.9
D Knight	United Kingdom	0.7	-	0.7
V Martin	United Kingdom	0.7	-	0.7

Trustee	Country of Residence	Travel & Subsistence Incurred	Professional Review Fees	Total
D McQuillan	United Kingdom	5.2	-	5.2
S Pitchers	United Kingdom	2.1	-	2.1
M Visser	South Africa	8.4	-	8.4
R Watermeyer	South Africa	7.7	-	7.7

In their capacity as members of the Institution Trustees are obliged to pay annual subscriptions due to the Institution. Trustees are entitled to take advantage of the services offered by the Institution and its subsidiary companies, on the same terms offered to all members or to the general public.

Where Trustees or their connections provide services to, or utilise any other services or facilities of the Institution, the amounts paid to or charged by the Institution and based on either:

- Standard rates paid by the Institution to members and non-members alike for services such as lecturing; or
- Rates negotiated on behalf of the Institution, independently of the member involved, by the Board or their delegated committee, based on competitive tenders or general rates.

The key management personnel of the parent charity, the Institution, comprise the Trustees, the Chief Executive Officer, Company Secretary and Director of Regulations, Deputy Chief Executive, Chief Operating Officer (in post since 02.10.2018), Director of Commercial Services (left the post on 21.09.2018), Director of Corporate Services (left the post on 22.11.2018) and Director of Digital & Data. The total employee benefits of the key management personnel were £574,003 (2017: £569,594).

6. Fixed Assets

Consolidated and Charity

	Freehold Premises £'000	Computers £'000	Furniture and Equipment £'000	Websites £'000	Total £'000
Cost					
Balance at 1 January 2018	9,527.9	647.5	179.5	610.7	10,965.6
Additions	-	13.1	1.1	155.7	169.9
Disposals	-	-	-	-	-
Balance at 31 December	9,527.9	660.6	180.6	766.4	11,135.5
Accumulated Depreciation					
Balance at 1 January 2018	456.7	556.8	94.9	107.7	1,216.1
Charge for year	148.6	45.0	28.4	99.4	321.4
Disposals	-	-	-	-	-
Balance at 31 December	605.3	601.8	123.3	207.1	1,537.5
Net Book Value					
At 31 December 2018	8,922.6	58.8	57.3	559.3	9,598.0
At 31 December 2017	9,071.2	90.7	84.6	503.0	9,749.5

All tangible fixed assets are used in the activities of the Institution. The trading subsidiaries do not own any tangible fixed assets. Audited accounts of the trading subsidiaries are filed with the Registrar of Companies.

7. Investments in subsidiaries

The group has the following subsidiary trading companies:

Subsidiary undertaking	Principal activities	Net Assets	Share capital held
IStructE Ltd	Various commercial activities	See note 9	£100
Structural Engineers Registration Ltd	A registration service to engineers in Scotland and Jersey	See note 9	£1
IStructE (Asia Pacific) Ltd	To support the Institution's activities in the area	£0k	£100
IStructE FZ LLC	To support the Institution's activities in the UAE	£0k	£28.2k
Institution of Construction Engineers	Not trading	Nil	-
Association of Construction Engineers	Not trading	Nil	-

IStructE Ltd and Structural Engineers Registration Ltd are 100% subsidiaries of the Institution and incorporated in the UK. Subsidiaries activities have been consolidated into the Institution's financial statements. As a general policy, the trading companies' gift aid all their taxable profits to the charity. IStructE (Asia Pacific) Ltd is incorporated in Hong Kong. It did not trade during the year.

IStructE FZ LLC is a Branch office of IStructE Ltd. There was no activity during the year.

The Institution operates a number of international regional groups whose assets and liabilities being immaterial have not been incorporated into the financial statements.

8. Results and net assets of trading subsidiaries

	IStructE Ltd £'000	SER Ltd £'000	Total £'000	2017 £'000
Turnover	878.6	1,235.5	2,114.1	2,131.6
Cost of sales	(364.9)	(613.6)	(978.5)	(927.0)
Gross profit	513.7	621.9	1,135.6	1,204.6
Administrative expenses	(424.4)	(305.2)	(729.6)	(734.2)
Operating profit before tax	89.3	316.7	406.0	470.4
Amount donated to the Institution	-	(160.0)	(160.0)	-
	89.3	156.7	246.0	470.4
Corporation tax	(17.0)	(29.8)	(46.8)	-
Amount retained by the subsidiary	72.3	126.9	199.2	-
Fixed assets	28.2	-	28.2	620.6
Current assets	308.0	356.2	664.2	620.6
Current liabilities	(263.8)	(229.3)	(493.1)	(620.5)
Net assets and funds	72.4	126.9	199.3	0.1

The results of IStructE (Asia-Pacific) Limited are not included as being immaterial.

9. Stock

	2018 £'000	Group 2017 £'000	2018 £'000	Charity 2017 £'000
Finished goods	2.4	2.9	2.4	2.9
Work in progress	2.6	2.6	2.6	2.6
	5.0	5.5	5.0	5.5

10. Debtors

	2018 £'000	Group 2017 £'000	2018 £'000	Charity 2017 £'000
Debtors in respect of charitable services	95.5	95.1	19.5	19.0
Amounts due from subsidiary undertakings	-	-	210.1	435.3
Other debtors and prepayments	272.3	220.5	259.7	204.4
Other taxation and social security	27.6	55.3	27.6	54.3
	395.4	370.9	516.9	713.0

11. Creditors: Amounts falling due within one year

	Group		Charity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Mortgage falling due within one year	135.4	129.0	135.4	129.0
Creditors	333.0	314.6	221.9	209.3
Other creditors	171.0	101.4	171.0	101.4
Accruals	162.3	153.6	142.1	128.5
Corporation tax	46.8	-	-	-
Deferred income	1,809.3	1,714.0	1,767.9	1,682.5
Other taxation and social security	127.2	101.9	92.0	78.6
	<u>2,785.0</u>	<u>2,514.5</u>	<u>2,530.3</u>	<u>2,329.3</u>

12. Creditors: Amounts falling due after one year

	Group		Charity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Mortgage falling due after one year	<u>782.5</u>	<u>917.9</u>	<u>782.5</u>	<u>917.9</u>

13. Financial instruments

The Institution only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

Loan is repayable as follows:

	Group		Charity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Within one year	135.4	129.0	135.4	129.0
Between one and two years	142.0	135.4	142.0	135.4
Between two and five years	469.4	447.4	469.4	447.4
After five years	171.1	335.1	171.1	335.1
	<u>917.9</u>	<u>1,046.9</u>	<u>917.9</u>	<u>1,046.9</u>

In November 2014, a Board approved loan for £1.4m with Barclays Bank was fully drawn down. The loan was utilised to assist in the financing of the redevelopment of 47-58 Bastwick Street. The term of the loan is ten years, at a fixed rate of 4.83% for the first 5 years, to be repaid in equal instalments until November 2024. The loan is secured by a first charge on the Institution's 47-58 Bastwick Street property. The ratio for the loan to property is 9.6% (2017: 11.0%).

14. Movement in permanent endowment funds

	1 January 2018	Income	Expenditure	31 December 2018
	£'000	£'000	£'000	£'000
Prize funds	<u>34.0</u>	<u>-</u>	<u>2.8</u>	<u>31.2</u>

	1 January 2017	Income	Expenditure	31 December 2017
	£'000	£'000	£'000	£'000
Prize funds	<u>36.8</u>	<u>-</u>	<u>2.8</u>	<u>34.0</u>

15. Movement in restricted funds

	1 January 2018 £'000	Income £'000	Gift /transfer of assets £'000	Expenditure £'000	31 December 2018 £'000
Research fund	70.5	23.9	-	29.1	65.3
Prize funds	2.5	-	-	-	2.5
EEFIT fund	25.6	3.9	-	4.1	25.4
Young Structural Eng. Competition	110.2	0.1	-	-	110.3
Structural Safety	20.6	95.1	-	91.9	23.8
Fib(UK)	23.3	25.4	-	18.9	29.8
Barret Prize Fund	-	-	3.6	-	3.6
Pai Lin Li Travel Awards	-	-	14.7	2.0	12.7
Alsop Fund	-	-	16.1	2.0	14.1
	<u>252.7</u>	<u>148.4</u>	<u>34.4</u>	<u>148.0</u>	<u>287.5</u>

	1 January 2017 £'000	Income £'000	Gift /transfer of assets £'000	Expenditure £'000	31 December 2017 £'000
Research fund	64.0	20.5	-	14.0	70.5
Prize funds	2.5	-	-	-	2.5
EEFIT fund	26.8	3.9	-	5.1	25.6
Young Structural Eng. Competition	110.2	-	-	-	110.2
Structural Safety	20.6	45.0	-	45.0	20.6
Fib(UK)	20.6	21.0	-	18.3	23.3
	<u>244.7</u>	<u>90.4</u>	<u>-</u>	<u>82.4</u>	<u>252.7</u>

Purpose of restricted funds

Name	Purpose
Research fund	This fund has the objectives of raising and applying funds for the purpose of enabling research to advance the art, science, and practice of structural engineering.
Prize funds	These funds were raised for specific educational prizes.
EEFIT fund	This fund is used to support the activities of the Earthquake Engineering Field Investigation Team.
Young Structural Engineer Competition	This fund will be used for competitions for young Structural Engineers.
Structural Safety	This fund is used to finance the scheme of Confidential Reporting on Structural Safety and the Standing Committee on Structural Safety.
Fib(UK)	This fund is to be used for the administration of the UK fib group.
Barret Prize Fund	This fund is used to award a prize to the winner of the Young Structural Engineers' International Design Competition.
Pin Lin Li Travel Awards	The fund is used to award travel bursaries for young engineers wishing to spend 4 to 6 weeks abroad studying current practice or trends related to the use of any construction material in the field of structural engineering.
Alsop Fund	The purpose of the fund is to support educational bursaries through Starfish Zambia.

16. Movement in designated funds

	1 January 2018 £'000	Income £'000	Transfers £'000	Expenditure £'000	31 December 2018 £'000
Designated funds					
Prize funds	9.7	-	-	-	9.7
Employee pensions fund	280.8	-	-	-	280.8
Bastwick Street fund	5,630.2	-	-	222.1	5,408.1
England Registration fund	100.0	-	-	-	100.0
Digital Transformation	225.0	-	-	-	225.0
Bastwick Street Maintenance fund	65.0	-	-	-	65.0
	<u>6,310.7</u>	<u>-</u>	<u>-</u>	<u>222.1</u>	<u>6,088.6</u>

	1 January 2017 £'000	Income £'000	Transfers £'000	Expenditure £'000	31 December 2017 £'000
Designated funds					
Prize funds	9.7	-	-	-	9.7
Employee pensions fund	270.3	-	50.0	39.5	280.8
Bastwick Street fund	5,892.5	-	-	262.3	5,630.2
England Registration fund	40.0	-	60.0	-	100.0
Digital Transformation	100.0	-	125.0	-	225.0
Bastwick Street Maintenance fund	30.0	-	35.0	-	65.0
	<u>6,342.5</u>	<u>-</u>	<u>270.0</u>	<u>301.8</u>	<u>6,310.7</u>

Funds are designated for the following purposes:

Name	Purpose	Period to be used
Prize fund	Donated funds to provide educational and examination prizes.	When required
Employee pension fund	This fund was designated in 2001 to set aside for ongoing costs which are calculated on a triennial basis..	When required
Bastwick street fund	This is to recognise the accounting profit after the sale of the leasehold of 11 Upper Belgrave Street, London. Being used to offset annual depreciation charges on Bastwick street.	When required
England registration fund	Established in 2014 to fund the work required to investigate the setting up of a Structural Engineer Registration scheme in England.	When required
Digital transformation	This is to fund future digital projects.	When required
Bastwick street maintenance fund	Setup to fund the future maintenance work at Bastwick Street.	When required

17. Analysis of assets and liabilities between funds

	Unrestricted Funds	Restricted Funds	Permanent Endowment Funds	Total 2018
	£'000	£'000	£'000	£'000
Tangible fixed assets	9,598.0	-	-	9,598.0
Current assets	2,426.9	287.5	31.2	2,745.6
Current liabilities	(2,785.0)	-	-	(2,785.0)
Long-term liabilities	(782.5)	-	-	(782.5)
Pension Scheme Funding Surplus	513.0	-	-	513.0
Total net assets	8,970.4	287.5	31.2	9,289.1

18. Taxation

The Institution is a charity within the meaning of Part 1 Schedule 6 Finance Act 2011. 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 2011 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.

For the year ended 31st December 2018 a provision for corporation tax has been made in the consolidated accounts for the undistributed reserves in the subsidiary companies. There will be no requirement to pay this tax provided the undistributed reserves are paid as gift aid to the Institution by 30th September 2019.

19. Consolidated statement of financial activities – comparative figures
Year ended 31 December 2017

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Permanent Endowment Funds £'000	2017 Total £'000
Income					
Donations and legacies		30.2	19.1	-	49.3
Income from trading activities					
Gross income from charitable trade		132.0	-	-	132.0
Trading subsidiaries' income		2,130.1	1.5	-	2,131.6
Income from charitable activities					
Membership and qualification activities		4,561.7	-	-	4,561.7
Technical & professional learning and development		-	69.8	-	69.8
Other charitable activities		241.1	-	-	241.1
Investment income	2	0.2	-	-	0.2
Total income		<u>7,095.3</u>	<u>90.4</u>	<u>-</u>	<u>7,185.7</u>
Expenditure					
Cost of raising funds					
Cost of charitable trading	3	114.5	-	-	114.5
Trading subsidiaries costs		1,623.2	-	-	1,623.2
Charitable activities					
Membership and qualification activities	3	3,250.0	-	-	3,250.0
Technical & professional learning and development		821.3	82.4	-	903.7
Other charitable activities		998.2	-	2.8	1,001.0
Total expenditure		<u>6,807.2</u>	<u>82.4</u>	<u>2.8</u>	<u>6,892.4</u>
Net income/(expenditure)		288.1	8.0	(2.8)	293.3
Actuarial gain/(loss) on final salary pension scheme	21	(101.0)	-	-	(101.0)
Net movement in funds for the year		<u>187.1</u>	<u>8.0</u>	<u>(2.8)</u>	<u>192.3</u>
Reconciliation of funds					
Total funds brought forward		8,604.0	244.7	36.8	8,885.5
Total funds carried forward		<u>8,791.1</u>	<u>252.7</u>	<u>34.0</u>	<u>9,077.8</u>

All the above results are derived from continuing activities. All gains and losses recognised in the year are included above.

20. Operating lease commitments

At the year end the group and the Charity had total commitments under non-cancellable operating leases of £0 relating to equipment. (2017: £0).

21. Pension schemes

Final salary pension scheme

The Institution contributes to the Institution of Structural Engineers (1973) Pension and Life Assurance Scheme at rates set by the Scheme Actuary and advised to the Trustees by the Scheme Administrator. In accordance with FRS102 the scheme is accounted for as a defined benefit scheme. This scheme is accounted for under FRS102, with the annually calculated notional surplus or deficit on the funding on the scheme shown in the accounts as a designated fund entitled "Pension Reserve" which is deducted from unrestricted funds in the balance sheet. The trustees believe that the scheme currently meets statutory minimum funding requirements. The contributions made by the employer over the financial year have been £150,000. In addition, £68,670 was paid directly in respect of charges for the management of the scheme. The scheme is now paid up and following a triennial valuation of the scheme carried out as at 31 December 2013 the Institution agreed to continue contributions of £20,000 per month, payable since January 2011, until 31 March 2018 (inclusive) in order to make up the deficit disclosed at the valuation. A triennial valuation as at 31 December 2016 has recently been completed and following this the Institution has agreed to pay contributions of £10,000 a month from April 2018. The Trustees note that the deficit or surplus calculated under FRS102 can vary greatly from year to year depending on the assumptions made at the valuation date. In accordance with FRS102 a Pension surplus is recognised under certain conditions.

The assumptions which had the most significant effect on the results of the valuation are those relating to the return on investments and the discount rate used to derive the net present value of the scheme liabilities. The assets of the scheme have been included within this year's accounts at open market value as at the year end and the liabilities have been calculated using the following actuarial assumptions.

	31 December 2018	31 December 2017	31 December 2016
	% per annum	% per annum	% per annum
Rate of discount	2.80	2.45	2.60
Inflation (RPI)	3.45	3.45	3.50
Inflation (CPI)	2.55	2.55	2.60
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less with a minimum of 3% p.a.	3.00	3.00	3.00
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 3% p.a.	3.80	3.80	3.80
Allowance for commutation of pension for cash at retirement	Nil	Nil	Nil

The mortality assumptions adopted at 31 December 2018 imply the following life expectancies:

	2018	2017
	Years	Years
Male retiring at age 65 in 2018	21.8	21.9
Female retiring at age 65 in 2018	23.7	23.7
Male retiring at age 65 in 2038	22.8	23.0
Female retiring at age 65 in 2038	24.9	25.0

Present values of plan liabilities, fair value of assets and deficit:

	2018	2017	2016	2015	2014
	£'000s	£'000s	£'000s	£'000s	£'000s
Fair value of plan assets	7,172	7,373	7,326	6,284	6,586
Present value of plan liabilities	6,659	7,177	7,269	6,205	6,892
Surplus/(deficit) in scheme	513	196	57	79	(306)
Unrecognised surplus	-	-	-	-	-
Defined Benefit asset / (liability) to be recognised	513	196	57	79	(306)

21. Pension schemes (continued)

Reconciliation of opening and closing balances of the present value of the scheme liabilities:

	Year Ending 31 December 2018 £'000s	Year Ending 31 December 2017 £'000s
Scheme liabilities at start of period	7,177	7,269
Interest cost	173	184
Actuarial gains	(471)	75
Benefits paid, death in service insurance premiums	(220)	(351)
Liabilities Extinguished on Settlements	-	-
Plan liabilities at end of period	<u>6,659</u>	<u>7,177</u>

Reconciliation of opening and closing balances of the fair value of scheme assets:

	Year Ending 31 December 2018 £'000s	Year Ending 31 December 2017 £'000s
Fair value of scheme assets at start of period	7,373	7,326
Expected return on scheme assets	180	189
Actuarial (losses) / gains	(311)	(31)
Contributions by employer	150	240
Benefits paid, death in service insurance premiums	(220)	(351)
Assets distributed on settlements	-	-
Fair value of scheme assets at end of year	<u>7,172</u>	<u>7,373</u>

The actual return on the scheme assets over the period ending 31 December 2018 was (£131,000).

Total expense recognised in the statement of financial activities:

	Year Ending 31 December 2018 £'000s	Year Ending 31 December 2017 £'000s
Net Interest cost	-	-
Losses (gains) on settlements	-	-
Total expense recognised in the statement of financial activities	<u>-</u>	<u>-</u>

Other Comprehensive Income:

	Year Ending 31 December 2018 £'000s	Year Ending 31 December 2017 £'000s
Return on plan assets (excluding amounts included in net interest cost) – (loss) / gain	(311)	(31)
Experience gains and losses arising on the plan liabilities: Amount of (loss) / gain	(1)	(250)
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities: Amount gain / (loss)	472	175
Effect of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) – gain (loss)	7	5
Total amount recognised in other comprehensive income within the statement of financial activities –gain / (loss)	<u>167</u>	<u>(101)</u>

Pension Asset

To reflect the accounting surplus on its (1973) Pension and Life Assurance Scheme, a pension asset is reflected in the accounts, for both the year-ending 31 December 2018 (£513,000), and year-ending 31 December 2017 (£196,000).

These amounts are shown on the Balance Sheet, page 19, under the heading 'Pension scheme funding surplus'.

21. Pension schemes (continued)

Assets:

	Year Ending 31 December 2018	Year Ending 31 December 2017	Year Ending 31 December 2016
	£'000s	£'000s	£'000s
Corporate Bonds	-	1,943	1,840
Government Bonds	-	348	333
Index Linked Gilts	-	1,270	1,215
Liability Driven Investments	981	-	-
Cash	6	600	587
Insurance Policy	2,979	3,212	3,351
Diversified Growth	1,827	-	-
Absolute Return Bonds/Credit	1,379	-	-
Total assets	7,172	7,373	7,326

Analysis of the sensitivity to the principal assumption of the value of the plan liabilities:

Assumption	Change in assumption	Approximate impact on scheme liabilities
Discount rate	Decrease by 0.1% p.a.	Increase by 2%
Rate of inflation	Increase by 0.1% p.a.	Increase by 2.0% (of inflation-linked liabilities)
Rate of mortality	1 year increase in life expectancy	Increase by 2%

The best estimate of contributions to be paid by the Institution to the scheme for the period beginning after 31 December 2018 is £120,000.

22. Related party transactions

IStructE Ltd

The company undertakes activities relevant to the profession of structural engineering which either the Institution of Structural Engineers as a charity is unable to undertake or which can be more effectively conducted through the company. Key activities are the sale of advertising space in the institutions journal, acting as an agent to sell the Institutions technical publications, and selling sponsorship for Institution events.

	2018 £'000	2017 £'000
Sales	8.7	14.8
Management charges from the Institution of Structural Engineers	404.1	392.7
Charitable donations to the Institution of Structural Engineers	-	131.1
Intercompany balance (Debtor)	128.7	190.8

Structural Engineers Registration Limited

The company promotes and manages schemes for the registration of individuals and organisations engaged in the certification of structures in Scotland and Jersey.

	2018 £'000	2017 £'000
Management charges from the Institution of Structural Engineers	267.2	270.8
Charitable donations to the Institution of Structural Engineers	160.0	339.3
Intercompany balance (Debtor)	81.4	244.5

23. Gift of assets from Institution of Structural Engineers Educational Trust

The Institutional of Structural Engineers Educational Trust has elected to transfer its three restricted funds to the Institution. The funds will be managed in the same way and in line with the conditions attached to each of the funds when they were set up.

The Educational Trust is deemed a connected charity to the Institution of Structural Engineers by having similar objects and benefiting from administrative services provided by the Institution.

On the 10th August 2018 a gift of assets to the value of £34,439 was received in cash transferring the following restricted funds into the Institution's accounts:

Barret Prize Fund	£3,619
Alsop Fund	£16,126
Pai Lin Li Travel Awards	£14,694

