THE INSTITUTION OF MECHANICAL ENGINEERS

England & Wales · Charity number 206882

Details

Other names	I M E C H E
Status	Registered
Legal form	Other
Registered	1963-07-29
Register	View on the Charity Commission register

Contact

Address	Institution Of Mechanical Engineers 1 Birdcage Walk London SW1H 9JJ
Phone	02073046862
Email	enquiries@imeche.org
Website	www.imeche.org

Activities

Objects: TO PROMOTE THE DEVELOPMENT OF MECHANICAL ENGINEERING. (FOR DETAILS PLEASE SEE PARAGRAPH 7 OF THE ROYAL CHARTER).

Activities: Improving the world through engineering,specifically as per the Royal Charter: The objects and purposes for which the institution is hereby constituted are to promote the development of Mechanical Engineering and to facilitate the exchange of information and ideas thereon?

Classification

- **How:** Makes Grants To Individuals, Makes Grants To Organisations, Provides Human Resources, Provides Buildings/facilities/open Space, Provides Services, Sponsors Or Undertakes Research, Acts As An Umbrella Or Resource Body
- **What:** Education/training, Economic/community Development/employment
- **Who:** The General Public/mankind

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Geography

- Hong Kong
- Malaysia
- Scotland
- Throughout England And Wales

Finances

Period end	Income	Expenditure	Assets	Employees
2024-12-31	£31,922,000	£32,627,000	£33,206,000	222
2023-12-31	£30,248,000	£29,065,000	£34,564,000	227
2022-12-31	£28,710,000	£28,523,000	£33,454,000	224
2021-12-31	£22,602,000	£21,863,000	£35,150,000	200
2020-12-31	£21,929,000	£20,981,000	£23,368,000	199

Trustees

Name	Role	Appointed
Abbey Addison		2023-07-14
Adrian Waldock		2024-10-18
Chris Chong		2023-05-25
Darren Sharpe		2024-05-23
Dr David Nowell CEng		2019-05-22
Dr Richard Charles Bartlett Judge CEng		2021-06-15
Joshua Thomson-Smith		2023-05-26
Lisa Norcross		2025-05-22
Matthew Garside		2023-05-25
Ruth Shilston		2023-05-25
Simon Evans		2023-05-25

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Linked charities

- THE GRESHAM COOKE FUND (206882-10)
- THE VISCOUNT WEIR FUND (206882-14)
- JOSEPH BRAMAH FUND (206882-15)
- C W BATE CROSSLEY SCHOLARSHIP (206882-20)
- THE JAMES CLAYTON TRUST FUND (206882-21)
- THE GRADUATES' AWARD (206882-24)
- THE BRYAN DONKIN FUND (206882-25)
- THOMAS LOWE GRAY FUND (206882-26)
- THOMAS BERNARD HALL FUND (206882-27)
- INSTITUTION OF MECHANICAL ENGINEERS TRUST FOR EDUCATION AND RESEARCH (206882-32)
- THE PRESIDENT'S PRIZE TO GRADUATES AND STUDENTS (206882-33)
- THE TRIBOLOGY AWARD FUND (206882-38)
- THE SPENCER WILKS TRUST (206882-39)
- PAUL HENDERSON MEMORIAL PRIZE (206882-40)
- THE GENERAL FUND (206882-41)
- JAMES WATT INTERNATIONAL MEDAL FUND (206882-42)
- THE RESEARCH AND DEVELOPMENT TRUST OF THE INSTITUTION OF MECHANICAL ENGINEERS (206882-43)
- BRUCE BALL NATIONAL CERTIFICATE PRIZE FUND (206882-5)
- POUNDER NATIONAL CERTIFICATE PRIZE FUND (206882-6)
- JAMES BATES FUND (206882-9)

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THE INSTITUTION OF MECHANICAL ENGINEERS

England & Wales - Charity number 206882

Accounts

TRUSTEE BOARD'S REPORT AND ANNUAL ACCOUNTS.

Institution of MECHANICAL ENGINEERS

01 January 2024–
31 December 2024



Improving the world through engineering

imeche.org

Institution of Mechanical Engineers
Incorporated by Royal Charter 1930
Registered Charity in England & Wales No: 206882
Office of the Scottish Charity Regulator No: SC051227

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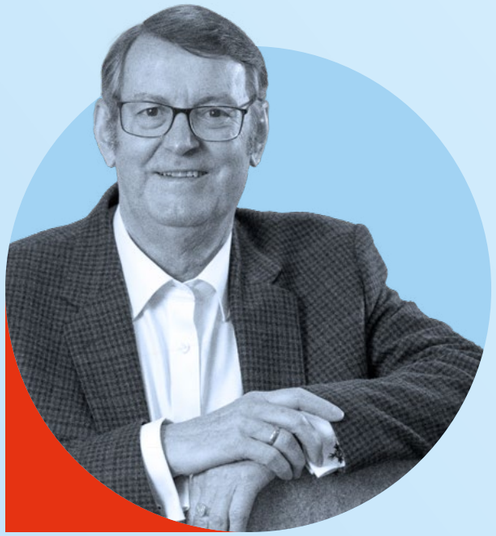
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Dr Clive Hickman
OBE CEng FIMechE

139th President of the Institution of Mechanical Engineers



Engineering is core to solving the global challenges we face today. Our Institution continues to support the valuable work of our members in rising to those challenges, and I am proud to be part of that engineering community. As an institution we must innovate, strive to overcome the challenges we face, be relevant and grasp our opportunities.

When I was elected President, I knew it would be a busy year. My priority was improving the financial sustainability of our Institution, and I am pleased to report that we are making progress, but there is still more to do. We are looking at our costs to make sure we're using resources efficiently, whilst also looking to improve the standards of service we provide for our members.

We have sold IMechE Argyll Ruane and prepared Sonaspection for sale (completed in February 2025), so that we could focus on activities closer to our mission and purpose.

To further reduce our financial liabilities, a group of our volunteers and staff, led by Past President Isobel Pollock-Hulf, have been working to safeguard the future of the IMechE Pension Fund. This has enabled me to sign an agreement to move towards achieving our long-term strategy for the Pension scheme.

We have also been working hard to improve our policies and procedures, and I would like to thank Past President Carolyn Griffiths for her support on this initiative. There is more work to do but we are making considerable progress.

Transformation is central to our global, inclusive, and digitally enabled engineering community. We are investing in advanced digital tools which will help to provide seamless services and make access to IMechE's resources easier.

There is still more to do on our HQ as we resolve the best solution for our Institution, and I am hopeful that we will be able to move forward positively in 2025.

As President, I had the pleasure of connecting with our wider engineering community through a number of exciting events:

- Formula Student and the Railway Challenge, where student participation reached record levels.
- Presenting the Engineering Heritage Award to Trinity College Dublin for Py-rac-mon steam locomotive model.
- Regional events, including an insightful Christmas lecture in the Western region on space travel, and a fabulous trip to Hull to meet members from our Yorkshire division.
- Hosting a dinner in Lisbon for members of our Iberia Group.

I sincerely appreciate the support and collaboration of our members and staff during my tenure. The road ahead is one of resilience, progress, and innovation. With a clear vision and strong action, IMechE is in a great position to create a sustainable future – one that respects our rich engineering history and welcomes new opportunities.



Dr Clive Hickman OBE

Dr Alice Bunn
OBE CEng FIMechE FRAeS



I am pleased to provide some of the key highlights for IMechE in 2024, as well as share with you some areas of continued focus and improvement.

Aligned with our purpose to provide opportunities for the engineering community to develop skills, knowledge, and professional practice, we were delighted that our Learning and Development division of our PEP subsidiary saw strong results in 2024, with 10% revenue growth to £3M and, with our Events team, contributing to approaching 20,000 learning days. Now more organisations than ever rely on IMechE's programmes, which provide lifelong learning opportunities for members and our wider community.

Further aligned with our purpose to engage with society and governments to leverage engineering innovation for sustainable economic development, there were outstanding contributions from an enhanced policy team and members working together. With over 200% increases in both the number of key influencing events and IMechE policy report citations. Notably, our response to the 'Invest 2035: the UK's modern industrial strategy' green paper highlighted the crucial role of engineering in developing national policy.

To foster future engineering talent, we partnered with BBC micro:bit to launch a primary school design competition, supported by 250 member volunteers.

February saw us celebrate the 100th anniversary of Verena Holmes being the first woman to become a member in 1924. This milestone event was a tremendous success and laid the foundation for our new annual inclusivity initiative, 'Engineering needs everyone'. Personally, I was delighted to support the Speak Out for Engineering competition finals. Held in Dubai, it brought together participants from across the world. It provided our younger members with opportunities to hone their communication skills, which are so important for engineering careers.

Last year I reflected concern at the low participation in our Trustee Board and Council elections. This year we were encouraged that there was a near doubling of voter turnout, reversing a longstanding trend. I also expressed concern at the underspend in funding for member networks. Whilst we have seen a modest improvement, we remain committed to continuing the necessary efforts to provide the best value to our members.

2024 saw continued progress in tackling our legacy financial issues, refocusing work on our core mission, although charity operations were loss-making in 2024. We are taking action to return to an operating break-even, and are projecting a surplus in 2026 and beyond to redeploy on accelerating strategy delivery.

Finally, there has been a continued focus in 2024 to determine the long-term solution for our headquarters. Considerable work has gone into assessing future-proof, financially viable solutions, all of which must include an appropriate long-term refurbishment fund as well as support for ongoing maintenance costs. I would like to thank you for your engagement in the first vote, and appeal for your continued engagement in future votes as this work continues in 2025.

Together, we are shaping the future of engineering for the benefit of society, and I look forward to another year of progress and innovation.



Dr Alice Bunn OBE

Our mission:

— Improving the world through engineering —

Our purpose

1.
Provide opportunities
for members and the wider engineering community to develop their knowledge, skills, expertise and professional practice.

2.
Maintain and enhance the professional status
of mechanical engineers by assessing applications for registration, accrediting educational courses and by encouraging professional practice and behaviour.

3.
Develop the pipeline of talent
for the future of the engineering profession by informing, motivating and supporting the success of children, young people and engineering students and apprentices.

4.
Engage with governments and society
so that informed decisions can be made and to identify areas where engineering innovation can improve the world through sustainable economic development.

Our values

Our work is underpinned by four core values that define how we operate:

Impact
We make a difference in what we do, taking accountability and ownership for meeting our commitments, and making things happen by succeeding together and excelling as individuals.

Integrity
We do the right thing for IMechE and for one another by being honest, truthful, and authentic, acting with integrity in every decision and action we take.

Innovation
We find better ways to get things done, innovate to solve problems, drive change, and move our mission forward by making tomorrow better than today.

Inclusion
We work together as one inclusive team, valuing and embracing diversity by communicating and sharing openly, listening actively to others, and celebrating our unique contributions.

Our vision:

— A global, inclusive and digitally enabled engineering community —

Our vision is to build a global, inclusive and digitally enabled engineering community, empowering engineers to address the challenges of today and shape the solutions of tomorrow.

Our strategic goals

To deliver our mission and purpose, IMechE's strategy focuses on two key goals:

Membership development
Developing, registering and supporting our members and the wider engineering community to be their best, ensuring an inclusive and sustainable future.

Impact
Maximising the influence of our community to promote engineering, inform public and industry opinion, and stimulate innovation for the benefit of society.

Purpose 1

We provide opportunities for members and others in the wider engineering community to develop their knowledge, skills, expertise and professional practice.

In 2024, we:

Gave our global engineering community more chances to learn, grow professionally and collaborate with others in industry. We attracted

10,686 attendees to a community programme of 62 technical lectures, seminars and networking events,

through the technical strategy programme. Our member networks organised a diverse range of local activities including lectures, site visits and networking events around the world. In 2025, we will take steps to better quantify the activities of our member networks and their impact.





Launched our Early Careers Development Programme

which offers structured training and a professional registration framework, and helped early-career professionals gain confidence, develop new skills and advance in their careers.

Helped 550 mentors

to stay informed, connected, and effective in guiding engineers through professional registration at 10 Mentor Forums. These forums enhanced member engagement and skills, fostered community by linking members with volunteering roles, and showcased career advancement stories that highlight the impact and value IMechE brings to its membership.

Broadened access to engineering knowledge and professional development opportunities by

delivering 18,833 days' worth of learning

events, training and webinars for members and non-members.



Supported 143 engineering organisations

with tailored training to improve their workforces' skills.

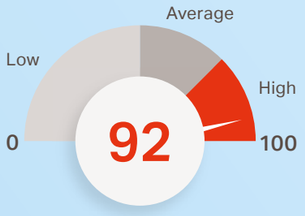
Helped build technical expertise and professional skills

through over 400 training courses and events. To keep up with the changing demands of the sector by across the UK we developed new ones in hydrogen, artificial intelligence and thermodynamics.

Made it easier for our members to access world-class resources. Our online engineering library supported the

development of knowledge and professional practice with 350,772 downloads.





Our training programmes received positive feedback, with a

92% customer satisfaction

rating and a Net Promoter Score of 39, showing that they were relevant and valuable to our members. We will be working on using a similar metric to assess the performance of our events in 2025.

Purpose 2

We maintain and enhance the professional status of mechanical engineers by assessing applications for registration, accrediting educational courses and by encouraging professional practice and behaviour.

In 2024, we:

Conducted reaccreditation visits in Oman and Malaysia

at the Military Technical College and Nottingham University campus, respectively. These visits provide assurance to students, parents and employers, while supporting the global quality of engineering education.

Signed a Memorandum of Understanding with the Institute of Engineers Singapore (IES) to work together and to participate in each other's engineering events. This partnership allows us to

promote engineering in the Singapore region

and collaborate on leading, developing and implementing membership standards and accreditation programmes.

Saw our Japan Panel become a full member of the Japan Federation of Engineering Societies (JFES). They hosted seminars promoting Chartered Engineer status and organised climate workshops that

attracted over 70 professional engineers in Japan.







Helped 37 new employers provide their staff with access to membership and professional registration opportunities. Our Membership Partner Programme

helped workforces enhance skills, achieve professional qualifications, and contribute to industry excellence.

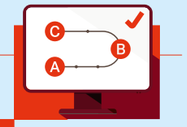


Supported and guided 2,792 individuals through their professional registration process

to become EngTech, IEng and CEng with the Engineering Council. This reflects our commitment to upholding professional standards and strengthening the engineering workforce.

Continued our support for the apprenticeship community through the expansion of our End Point Assessment (EPA) standards portfolio, gaining Ofqual recognition to deliver EPA for the Level 3 Machining Technician apprenticeship. This gives more apprentices

a clear, accredited path to skilled jobs and career advancement.



Carried out over 1,960 interviews by 550 professional review panels globally

for new Chartered and Incorporated Engineers. Our volunteer assessors are a dedicated network which keep high professional standards while recognising and developing engineering talent, and without them we could not achieve this.

Expanded our members' Continuing Professional Development (CPD)

through online sessions and in-person workshops, encouraging them to learn from each other and develop skills alongside sector experts.

Enhanced our support for current Armed Forces personnel and those transitioning to civilian careers by re-approving two of our Armed Forces Special Application Processes (SAP).

These streamlined processes

recognised the value of military training in achieving professional registration.

Purpose 3

We develop the pipeline of talent for the future of the engineering profession by informing, motivating and supporting the success of children, young people and engineering students and apprentices.

In 2024, we:

Brought engineering into schools

and particularly to girls and young women through our support of the Primary Engineer outreach project. 50% of the students participating were girls and women, while women working in engineering in the UK is only around 16% (source: EngineeringUK, 2023). Teacher engagement increased by 82% and over 35,000 pupils were introduced to careers in engineering.

Inspired young people and supported teachers

to help address the UK's engineering skills shortage.

Our regional educational volunteers participated in the national Big Bang Fair, which saw 20,700 young people from 352 schools and 2,419 teachers attend, with 55% of schools meeting EngineeringUK's Equality, Diversity and Inclusion criteria.



Launched the Virtual Work Experience (VWEX) programme

in June 2024, which has the highest sign-up (3,291 students) and completion rate (363 students) on the platform. The highest completion rates were in the East Midlands, Wales and the North-East and we also attracted international students from Europe, Asia, Africa and the Middle East.



Awarded 265 student recognitions and supported teams in Formula Student and the Railway Challenge. The Whitworth, Undergraduate, and Clive Hickman First Year Undergraduate Scholarships provided vital financial aid to students. We also

widened student access to engineering

by allocating £24,000 in educational awards through our General Trust Fund.

Sponsored nine women role models

to complete the STEMazing programme. At the midway point of the programme, a total of 1,026 STEM engagements were delivered in 8 schools, reaching 130 girls, 47% of the total number of children.

Supported the BBC Schools Tour, where four of our members provided

invaluable insight and inspiration for students

to take into their future careers. The Tour has reached over 120,000 secondary school students across 152 schools since September 2024, and garnered positive feedback from school staff and students.



Provided opportunities for hands-on experience, inspiring and supporting the essential pipeline of engineering students and apprentices through our five annual challenges. Together, these challenges

engaged 3,739 students and apprentices, with 53 teams from 23 countries participating.

Over 2,000 spectators and 600 volunteers supported us, further highlighting our contribution to the growing interest in engineering and encouraging and a strong community of innovation and learning.

Supported our members to deliver our global-outreach work.

Automotive workshops were held in Ningbo, China for secondary school students, and a solar-powered toy car workshop was delivered to 80 primary school students in Hong Kong. Our global outreach work fosters creativity, teamwork, and problem-solving skills and explores renewable energy and engineering principles.

Bolstered the graduate talent pipeline into the automated mobility sector by developing the Artificial Intelligence category of Formula Student, FS-AI. We

secured funding from Centre for Connected and Autonomous Vehicles (CCAV)

to support a record number of participants (444) across 20 teams and doubling the vehicle fleet. 13 successful entries were made in the notoriously challenging dynamic autonomous driving tasks, representing a significant improvement on previous years.

Partnered with the UK's Department for Education to amplify our efforts to

boost the pipeline of STEM teachers.

We promoted the Teach in Further Education programme, encouraging engineers to teach part-time alongside their careers. We supported the department's Engineers Teach Physics Initial Teacher Training (ITT) programme. Between the partnership, we improved the physics knowledge of 72 trainees (including 60 from outside the UK), and built a community among those who may not have considered themselves suitable to physics — a fundamental engineering course.

10 years

Achieved the highest number of teams ever

to participate in our Unmanned Aerial System and Apprentice Automation Challenges, which also celebrated their 10th anniversaries.

Purpose 4

We engage with governments and society so that informed decisions can be made and to identify areas where engineering innovation can improve the world through sustainable economic development.

In 2024, we:

Published four policy reports to support engineering policy development in the UK

and internationally. These reports provided valuable evidence from our Technical Strategy Board and expert member committees. They cover Sustainable Healthcare, Sports Venues, Engineering Skills, and Engineering Policy Priorities for the 2024–2029 UK Parliament.

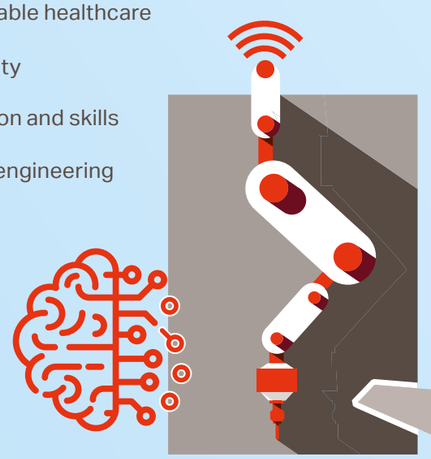




Championed engineering innovation

for sustainable economic development across key policy areas, including:

- Sustainable energy/Net Zero
- Transport/rail reform
- Rapid power grid decarbonisation
- Artificial Intelligence
- Sustainable healthcare
- Air quality
- Education and skills
- Sports engineering



Expanded our policy influence beyond Westminster

by hosting high-profile events with policymakers in Scotland, Wales, and Northern Ireland, including an NEPC education event with Lord Blunkett. We also strengthened international ties by co-hosting a climate adaptation event with German counterpart VDI at the British Embassy in Berlin. These events are key to our goal of shaping government policy and to collaborate with industry.

Contributed our members' expertise to eight political consultations and inquiries.

Our involvement in key discussions on energy, education, industry, and infrastructure included parliamentary reviews, roundtables, panels, reports, events, and submissions to Budget proposals.

Responded to the UK Government's Green Paper Invest 2035: the UK's modern industrial strategy with a full consultation, in collaboration with the Technical Strategy Board and Education and Skills Strategy Board. We then published Engineering the UK's Future, a report that

emphasised the critical role of engineering to the UK's economic success.

We called for investment in skills and infrastructure to support an economically sustainable future.

Launched a new policy group to position IMechE as the leading professional engineering institution in Sports Engineering

and build on the insights from our 2023 report. This development places the Institution in the best position to promote sports engineering through events, policy initiatives and advocacy.

Created policy panels in two of our priority areas: Climate Change and Sustainability, and Future of Transport.

They offer opportunities for our members to influence policymakers and contribute to a sustainable future for society.



Membership development

Developing, registering and supporting our members and the wider engineering community to be their best, ensuring an inclusive and sustainable future.



Population

We want to achieve sustainable growth in our professional registration membership.

Members that voluntarily cancelled their membership (PI1)

2024

4,395*

2023

4,056

Professional registrations (PI2)

2024

2,792

2023

2,668

Satisfaction

We want to have satisfied and engaged members.

Active volunteer members (PI3)

2024

5,217**

2023

6,006

Eligible members voting in elections (PI4)

2024

6,221

2023

3,427

Diversity

We want our membership to reflect the diversity of society.

Members outside the UK (PI5)

2024

30.0%***

2023

31.5%

Women members (PI5)

2024

12.2%

2023

11.5%

In 2025, the following performance indicators will change to better reflect our work on the strategy. PI1 will now track our membership retention rate, including both UK and international member grades, instead of just focusing on those who are lapsing.

PI2 will measure the percentage of free affiliate members who progress to corporate membership, showing our efforts and importance of engaging the next generation of engineers.

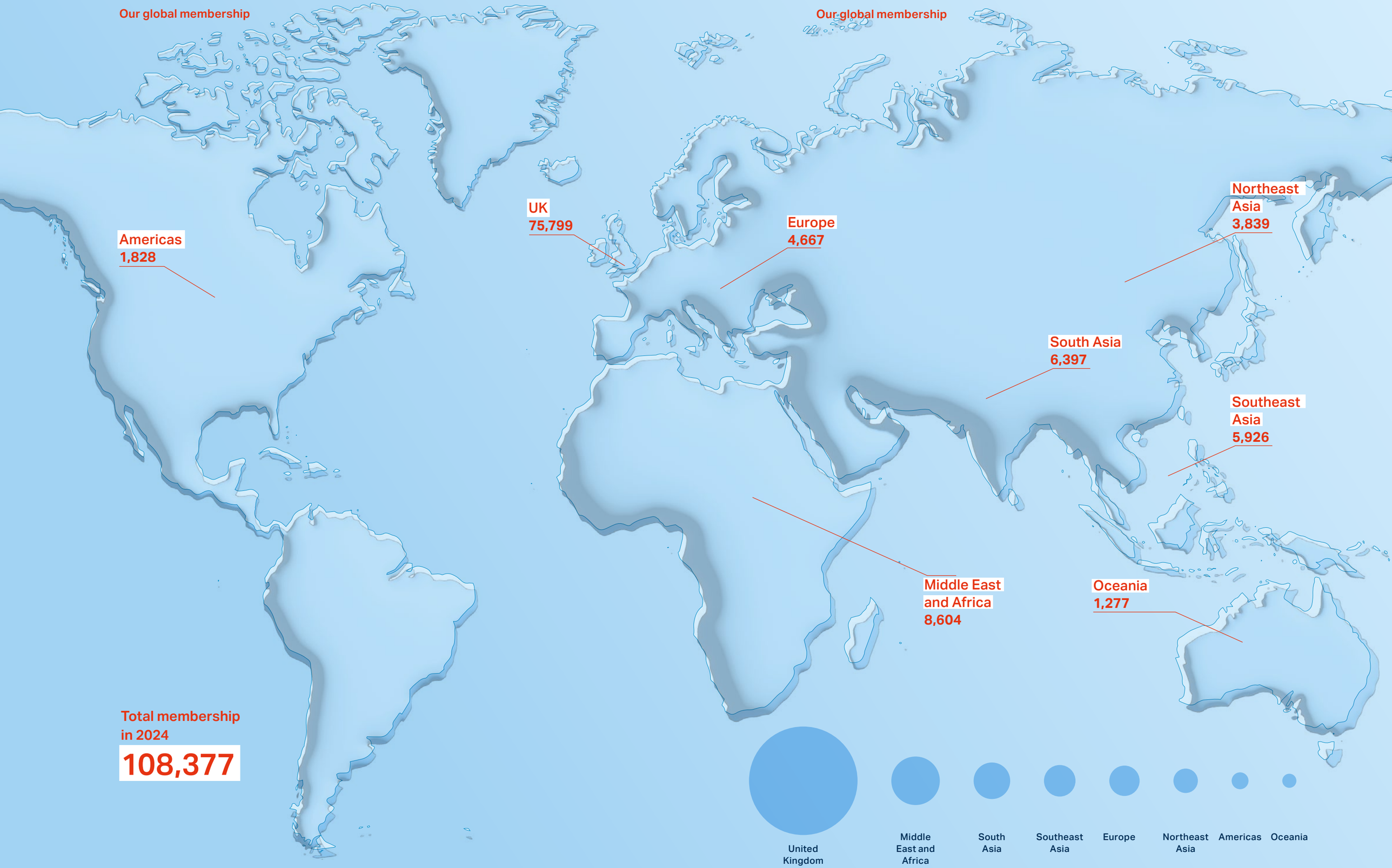
PI5 will track the retention rate of our worldwide membership, giving us a clearer picture of the strength of our global networks.

*In 2024, total membership decreased by 1.9% to 108,377, mostly due to a slight decline in International Affiliate numbers and a 0.6% increase in member lapsing rates compared to 2023.

**This decrease reflects a review of volunteers who have not been actively engaged in IMechE activities over the past two years. This is part of our ongoing efforts to maintain an accurate record of active volunteers and build a more engaged and responsive volunteer network. We continue to welcome and encourage new members to our volunteer community.

***Membership outside of UK has declined due to reduction in the number of International Affiliates.

Our global membership



Total membership in 2024

108,377

Impact

Developing, registering and supporting our members and the wider engineering community to be their best, ensuring an inclusive and sustainable future.

Learning

We want to increase the amount of life-long learning we support

Days of learning events attended (PI7)

2024

18,833

2023

16,583

Influence

We want to be a trusted point of reference for policymakers, industry, and current and future engineers

Key influencing events (PI8)

2024

55

2023

40

IMechE policy report citations (PI9)

2024

6

2023

5



Reach

We want to increase our reach to extend the expertise of our employees and members

Website interactions (PI10)

2024

2.4M*

2023

2.4M

Digital downloads (PI11)

2024

72,697**

2023

72,586

Press references (PI12)

2024

162

2023

119

Social media audience (PI13)

2024

597,687

2023

594,559

In 2025, the following changes performance indicators will change to better measure our reach and impact on the wider engineering community. PI10 will focus on the number of website visitors, giving us a clearer idea of how well we are attracting a broader audience. PI11 will track the number of views of our engineering-related content, helping us understand and adjust its relevance to the engineering community. PI12 will shift to measuring social media engagement by reach, so we can better understand how the engineering community interacts with us on social platforms. Finally, PI13 will focus on the number of press references in target publications, ensuring we are reaching not just any audience, but the right one.

*,**Pro-rata calculation based on 10 months of data (2,028,322 website interactions and 60,581 PDF downloads). We had a technical issue recording data in October and November. These months are usually busier, so the totals may be lower than expected. Additionally, as we're moving away from PDFs to more user-friendly formats, the figure reported may not reflect full engagement.

Sustainable finances

Membership income

We want our membership income to support our strategic goals

Membership income (PI14)

2024

£14.7M*

2023

£13.7M

Income diversity

A greater spread of income increases our resilience and supports our charitable objectives

Unrestricted revenue from non-subscription sources (PI15)

2024

46%**

2023

42%

Free reserves

Our free reserves should enable us to cope with financial shocks and take advantage of opportunities

Free reserves (PI16)

2024

£8.7M***

2023

£7.8M

In 2024, we have begun making structural and process changes to our finance function to make sure IMechE is set up for future success. Our goal is to create a more efficient and resilient financial model by improving oversight, stability, and long-term efficiency.

As part of our efforts to simplify our business model and better align our operations with our purpose, we completed the sale of IMechE Argyll Ruane (our non-destructive testing training business) in August 2024. This was followed by the sale of Sonaspection in February 2025. We have also simplified our intercompany structure.

*Membership income is up £1m or 7.1% in 2024, all of which is the result of the increase in the subscription fee, consistent with the increase in the Consumer Price Index.

**Income diversity increased to 46% compared to 42% in 2023. This is mainly due to strong revenue growth in Learning and Development driven by customer expansion as well as new programme offerings.

***The increase in free reserves continues the steady trend in growth since 2020. The increase in 2024 is the result of there being more net working capital (predominantly cash as per note 26) and to a lesser extent, the £0.3M increase in unrestricted investments.

Organisational health

In 2025, we will introduce performance indicators to better measure our organisational health. These will focus on key areas such as employee and volunteer retention, recruitment efficiency and productivity.

Additionally, we will assess employee and volunteer development, performance, culture, and behaviour, alongside overall satisfaction and engagement. These indicators will guide our decision making and foster a thriving, high-performance culture.



Operational efficiency and continuous improvement

In 2024, we continued to work on improving operational efficiency and enhancing communications, governance and customer experience, in order to remain adaptable and better positioned to deliver value to our members and stakeholders.

Enhancing our digital capability

We continued working to make sure our technology supports IMechE's long-term goals. Two major projects took place to enable the delivery of the Digital Strategy introduced in 2023:

- The move of key servers from HQ to a data centre, making several member-facing systems more reliable, scalable, secure and efficient, and our website more stable.
- The mapping of most of our current systems and processes to help identify inefficiencies, optimise routines and improve data integration across departments. This exercise has already seen immediate improvements, but a lot more needs to be done. Mapping out how we work is the first step in our plan towards more technology-enabled ways of working.

Strengthening our governance

We made significant improvements to strengthen governance and improve efficiency. We updated and introduced a number of policies to meet best practice and legal requirements, and created a centralised policy library for easier access, updating and management of policies. A new Complaints Procedure was introduced to provide a clear, fair process for handling grievances, promoting transparency and accountability.

We introduced a new Risk Management System and improved risk benchmarking and other internal processes to better identify and manage risks, helping protect the organisation. We also standardised procurement processes and centralised contract management to enhance oversight and compliance.

Following the Summit in November 2023, where senior volunteers and employees discussed key challenges and opportunities, the Summit Steering Group (SSG) oversaw the progress. One of the Summit's task and finish groups refined the Institution's purpose, resulting in the purpose statements highlighted throughout this report. The Summit also prompted the creation of a Communications Forum to improve communications between Operating Boards, Trustees and the Executive Team. Additionally, a review of the Council's Terms of Reference led to approved updates, now in effect, with further revisions expected as governance structures evolve.

Work will continue into 2025 on other key areas, including the operating model and management system, to ensure our structures are efficient and aligned with both our charitable objectives and the needs of our members.

Improving communications and member experience

We have taken steps to improve our communications and brand visibility, and enhance the experiences of our members:

The Communications Forum was established based on feedback from the Summit, to discuss and communicate issues impacting the Institution. This forum is chaired by the CEO and brings together the chairs of Operating Boards and the Executive Team to share ideas, address concerns and explore new opportunities.

A comprehensive survey for both current and past members was undertaken to better understand the experiences, needs, and expectations of our community. With the highest response rate ever seen for an IMechE survey, the results will help us improve and tailor our services, focusing on the areas that matter most to our members. The feedback gathered will also guide future initiatives, ensuring that we continue to meet the evolving needs of our global engineering community.

The Marketing and Communications department was reorganised to strengthen our voice and better communicate with our members and customers. New teams were created to build a stronger brand, make better content, and boost public relations for IMechE. We combined product marketing teams to streamline promotional and engagement efforts, and processes and systems are also being optimised to create capacity to better support IMechE's core capabilities.

Learning and development events and courses are now managed by one department, with the aim to offer more cohesive and relevant professional development opportunities and clearer experiences to both members and employers.

Developing our workforce and performance

Overall staff turnover has stayed stable, showing our commitment to improving how we work and creating a better environment for the team. To boost productivity, we ran workshops for managers to help tackle issues such as staff absence and to encourage a more proactive approach to performance management.

Alongside these workshops, we introduced several performance improvement initiatives to help with staff development. We also updated many of our people policies, including the introduction of hybrid working, to provide clarity in approach and improve collaboration. We made changes to our induction process, rebranding it #WeAreIMechE, to welcome new employees with an experience that is more effective and better reflects our values and culture.

These initiatives were implemented alongside other major projects, such as the resource-intensive sales processes involved in the divestment of two commercial entities and the hard work that went into securing our Investors in People (IIP) accreditations.

Deciding the future of our headquarters

The Headquarters Sponsor Board (HQSB) was established in August 2024 to oversee the Headquarters Programme. This builds on the valuable work started in 2011 to review the Institution's headquarters requirements. The goal is to ensure the headquarters not only meets current needs but also supports IMechE's future growth, stability and purpose.

Working closely with the Trustee and Governance Boards, the Council Leadership Committee, the Executive Team and independent consultants, the HQSB has led a thorough and structured process. This has included identifying and evaluating all viable options for the future of the headquarters.

A key milestone was reached at a Special Meeting on 27 January 2025, where members voted in favour of a resolution to begin marketing the headquarters building.

Progress on the programme continues to be shared with members through various channels, including global member webinars and a dedicated HQ Programme platform available via My Account.

Plans for the future

In 2025, IMechE's focus is on strengthening financial sustainability, increasing efficiency, investing in digital transformation, and celebrating engineering excellence.

These efforts will ensure the Institution remains resilient, relevant, and impactful for its members and the wider engineering community.

Securing long-term financial sustainability

- Identifying a headquarters that is fit for the future, ensuring financial and operational viability.
- We have committed to the buy-out in July 2025 of the defined benefit pension scheme to reduce financial risk and strengthen long-term stability.

Maximising efficiency to deliver our purpose and strategy

- Continuing to simplify our finance function post-sale of our trading entities to ensure a leaner, more effective operation.
- Working with members and staff across boards and committees to identify cost savings and implement new, more efficient ways of working.

Business transformation and digital enablement

- Continuing our commitment to invest in digital transformation by mapping and understanding current systems and processes so we can transition to simpler, digitally enabled ways of working.
- Introducing new member services and improving customer experience.

Celebrating engineering successes and inspiring future generations

- Revamping our prizes and awards programme, consolidating multiple schemes into fewer, more impactful initiatives that align with our purpose.
- Expanding recognition opportunities across the engineering sector, including the landmark 200th anniversary of the railways.

Reviewing our high-level operating model

- Ensuring our structures and governance are simplified, transparent, and effective, supporting both members and staff in delivering IMechE's purpose.
- Improving the volunteering experience by providing better opportunities for collaboration, professional development, and contribution to the engineering community, which will enhance IMechE's support for professional registration, the next generation of engineers, and engineering policy engagement.

Volunteer engagement

IMechE relies on a diverse and dedicated network of volunteers who play a crucial role in delivering our charitable objectives. They significantly enhance IMechE's ability to support the engineering community, drive innovation, and inspire future generations.

In 2024, the contributions of 5,217 active volunteers spanned across essential roles, including:

- Governance, ensuring effective oversight, strategic direction, and accountability.
- Professional registration, supporting assessment panels, mentoring applicants, and maintaining professional standards.
- Regional and international engagement, connecting IMechE with engineering communities worldwide and organising events and outreach activities that foster professional development and networking.
- Technical and advisory support, contributing expertise to industry discussions, thought leadership, and best practice guidance.
- Education and STEM outreach, inspiring the next generation of engineers through engagement with schools, universities, and apprenticeship programmes.

Volunteers extend IMechE's reach far beyond what staff alone could achieve, and every contribution is valued. We are working continuously to improve the level of support for our volunteer communities.

Our volunteer network includes:

269
Boards and Committees

55
Student Chapters

48
Young Member Panels

13
Local Volunteer Co-ordinators

2,095
STEM Ambassadors

We are deeply grateful for the dedication of the thousands of members worldwide who generously give their time to support the Institution's activities. Their contributions are invaluable to the success of our mission.

Upgrading the volunteer experience

In 2024, IMechE continued to take steps to improve the volunteer experience, striving to help those who contribute their time and expertise to feel supported, connected, and valued. We:

- Launched a new mass email system, so that volunteers can connect with their communities and still be GDPR compliant. By the end of the year, 412 email newsletters were sent via the new system to members across the globe. We continue to work on minimising some technical limitations in 2025.
- Integrated the Committee Management Hub, facilitating the management of membership across IMechE's Boards and Committees. It supports staff and volunteers in onboarding and offboarding committee members, granting access to tools and services, and providing essential training. By the end of 2024, the Hub listed 3,202 committee positions across the volunteer network.
- Strengthened governance and coordination across the global volunteer network, through regular online and in-person meetings. Volunteers in 337 groups held an estimated 1,300 meetings in 2024, fostering collaboration and alignment. The Member Networks staff team provided support for 52 Boards, Committees, and Sub-Committees, assisting with 200 meetings. Additionally, the team served as a point of contact for 277 committees and individual representatives, attending 60 further meetings to provide guidance and support.

Looking ahead

In 2025, we will continue working to enhance the volunteer experience by focusing on:

- Strengthening recognition efforts, ensuring that volunteers feel valued for their contributions.
- Expanding engagement opportunities, making it easier for volunteers to get involved in ways that align with their skills and interests.
- Improving access to resources and training, providing volunteers with the tools they need to be effective in their roles.

We are investing in the volunteer experience to improve the level of support we offer our volunteers. We encourage them to flourish through more rewarding and impactful engagement.



Employee engagement

In 2024, we continued to build a supportive, inclusive, and high-performing workplace. We strive to make employees feel valued, engaged, and empowered to contribute to our mission. A key part of this commitment has been fostering a culture where employees and volunteers work as one team, collaborating to drive IMechE's vision forward.

83% of employees consider IMechE a great place to work

Through embedding our core values in daily practices, we continue to invest in the right culture, one that supports professional growth, shared purpose, and innovation. By ensuring employees feel empowered and connected to IMechE's mission, we are building a workplace where people can thrive, contribute, and make a meaningful impact.

Training and development

We are committed to supporting our employees' growth and career progression, equipping them with the skills and knowledge needed to succeed and contribute to IMechE's long-term success. In 2024, we:

- Facilitated training sessions, covering professional skills, technical knowledge, and leadership development.
- Provided various development opportunities, with several employees participating in external training programmes to enhance their expertise.
- Offered a mix of in-person, virtual, and on-demand learning resources to ensure accessible and flexible development.



Investors in People Gold Accreditation

Our dedication to employee development, strong leadership, and workplace culture was recognised as we proudly renewed the Investors in People (IIP) Gold Accreditation. Investors in People accreditations are recognised around the world, making them the global benchmark when it comes to people management. The IIP report highlighted:

- 83% of employees consider IMechE a great place to work, reflecting a positive and engaged workforce.
- A strong commitment to equality, diversity, and inclusion (EDI), with our values being embedded and recognised as authentic.
- A work environment that supports professional growth, collaboration, and employee wellbeing.

INVESTORS IN PEOPLE®
We invest in people Gold

Investors in Wellbeing Silver Accreditation

Recognising the importance of employee wellbeing, we introduced new initiatives to support mental, physical and emotional health, such as a dedicated wellness room for employees. These efforts contributed to achieving the Investors in Wellbeing Silver Accreditation, reinforcing our commitment to creating a workplace where people feel supported.

INVESTORS IN PEOPLE®
We invest in wellbeing Silver

Looking ahead

As we move forward, we remain committed to enhancing employee engagement, embedding our values, and strengthening collaboration between employees and volunteers. We are developing a Management Development and Leadership Programme set to launch in 2025 to equip current and future leaders with the skills, confidence, and insight needed to effectively, lead, manage and build high-performing teams.

We are building a workplace where people can thrive, contribute, and make a meaningful impact.

Environmental commitments

At IMechE, we are committed to reducing the environmental impact of our operations.

At our headquarters, a heritage building, we are limited in how much we can do to reduce our carbon footprint without significant investment. While we wait for the decision on the future of our headquarters, however, we continue to make improvements within these constraints.

In 2024, we reduced the volume of waste we sent to landfill and extended our daily refuse contract to a contractor with a zero-to-landfill policy. Additionally, we continued to work with a clearance company that recycles and reuses most of our unwanted items.

We have also made significant reductions in our energy consumption. In 2024, our annual electricity consumption reduced by 12.36% and our gas consumption reduced by 7.19% compared to 2023.

In 2024, our annual electricity consumption reduced by 12.36% and our gas consumption reduced by 7.19% compared to 2023.



Social responsibility

Culture and inclusion

IMechE's culture supports our employees and community to feel valued, included and empowered to thrive. To foster a sense of belonging, we embed inclusion into our operations by celebrating inclusion moments during meetings and making training available to our community. Our communications are regularly reviewed to make sure they meet accessibility standards.

By the end of 2024, 500 people had completed our Creating Inclusion learning programme, which is free to members, employees and the engineering community, and covers topics such as inclusive leadership, and disability inclusion.

We continued our collaboration with the Women's Engineering Society (WES), the Association for Black and Minority Ethnic Engineers (AFBE-UK), SheCanEngineer, and the Business Disability Forum.

We participated in our partner conference, AFBE-Live, to engage the community of black and ethnic minority engineers. We supported 40 members to sign up to the WES mentoring scheme, either as mentor or mentee. We also hosted a variety of events, including Pride, Black History Month, and the International Day of People with Disabilities. A multi-faith room was created at our headquarters to support the diverse needs of our employees, members and other visitors.

The Culture and Inclusion Committee worked with volunteer groups to align our initiatives and processes with our values. This encourages our members and volunteers to consistently live our values. In turn, this helps people to feel welcome and engaged, whether employee, member or volunteer.

We launched the Culture Ambassador Network to champion our values. Our ambassadors act as the voice of the membership and employee community.

The Verena Holmes Anniversary and Networking Event celebrated the contributions of women in the engineering profession and laid the foundation for our new annual inclusivity initiative, 'Engineering needs everyone'. While marking the centenary of Verena Holmes being the first woman to become a member of IMechE, we hosted a mentoring workshop with WES, an evening lecture and panel discussion, and a networking reception. A portrait of Verena Holmes was unveiled and now hangs at our headquarters.

Refugee support

IMechE aims to assist refugees in resettling and rebuilding their personal and professional lives in the UK. We provide two years of free Affiliate membership to engineers holding recognised refugee status. To date, we have welcomed five engineers through this programme.

Educational access and support

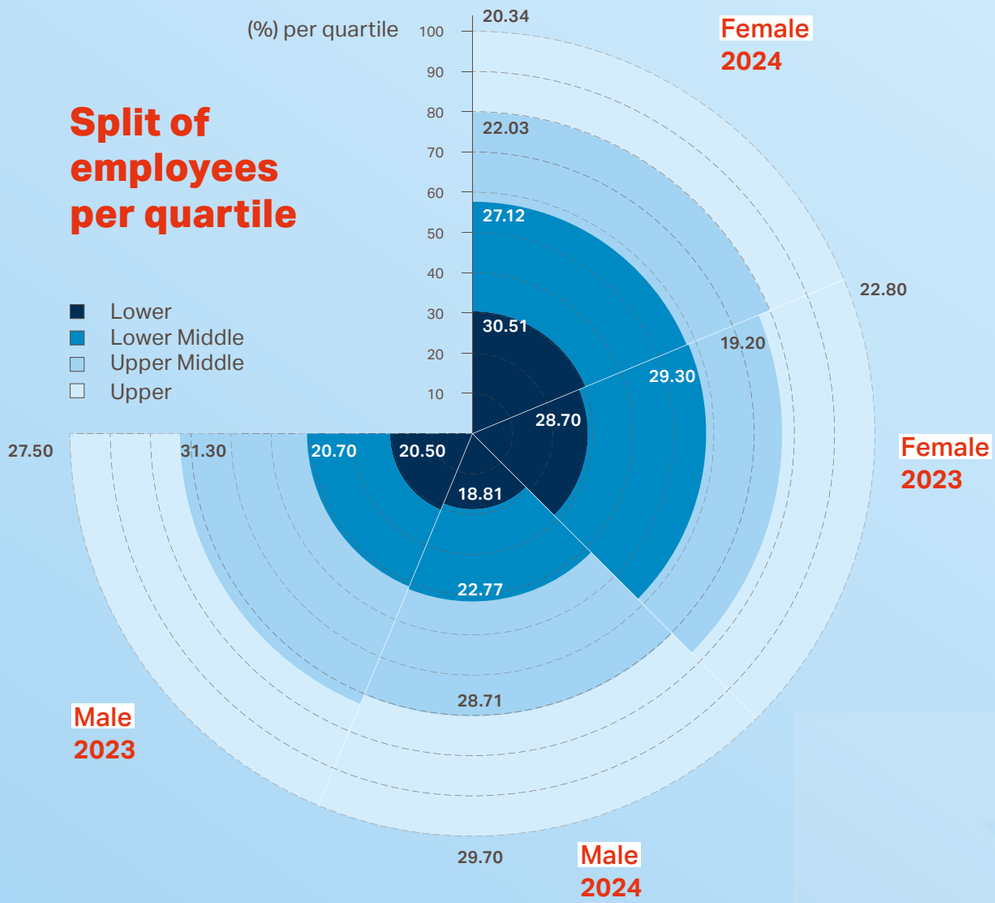
IMechE supports access to engineering education by offering scholarships, financial assistance, and awards to students and early-career professionals. These opportunities recognise potential, reward achievement, and promote greater equity across their learning journeys.

By investing in education, we contribute to a more inclusive and resilient engineering workforce.

Employee gender pay gap

Although not a requirement for organisations of our size, we publish employee gender pay gap information every year as part of our commitment to our values. In 2024 at IMechE, men were paid on average 10.72% more than women, a decrease from 13.3% in 2023. This gap is due to men representing 58.42% of the employees in the upper two quartiles in 2024, compared to 58.80% in 2023. Women made up 42.37% in these quartiles in 2024, up from 42% in 2023.

When considering the median pay gap between men and women (both in the midpoint of the employee range), the difference was relatively small at 16p per hour (16%). Overall, there were more women than men in employment. While women occupied more roles in the lower two quartiles, they still made up a significant proportion of employees in the upper two quartiles.



Governance commitments

Governance and Charity Law compliance

IMechE takes its responsibilities and duties seriously as a large charity. We continue to strengthen our governance framework to ensure full compliance with statutory and regulatory obligations.

In 2024, we completed our annual review against the Charity Governance Code to ensure good practice is maintained. This review helps ensure we remain compliant with the expectations of the Charity Commission for England and Wales and the Office of the Scottish Charity Regulator.

Trustees and volunteers receive regular training to help them fully understand their responsibilities. This includes legal briefings on fiduciary duties, GDPR training and the Institution's well established diversity training, which helps promote our values and behaviours.

Grant-making and educational support

IMechE's grant-making is overseen by the Educational Awards Committee (EAC), a sub-committee of the Trustee Board Awards Committee. The EAC manages the fair and transparent assessment and distribution of grants funded through designated Trust Funds. It focuses on awarding grants, and financial assistance to members and students involved in education, training, and research.

It also enables awards to be made to support initiatives, projects, activities in schools and clubs which promote mechanical engineering to children in primary and secondary education. The EAC oversees the awarding of the Armed Forces awards as well as the Institution's university awards to students on mechanical engineering courses.

This governance structure demonstrates our commitment to responsible oversight, effective use of funds, and delivery of meaningful impact.

Fair and responsible remuneration

The remuneration of all staff is reviewed and approved annually by the Remuneration Committee. This Committee ensures arrangements are affordable, fair and designed to motivate and reward performance. Remuneration is benchmarked periodically using external surveys and sector data.

Modern slavery prevention and ethical supply chain

IMechE is committed to preventing modern slavery and human trafficking in our operations and supply chains.

We continually monitor and respond to requirements of the Modern Slavery Act 2015.

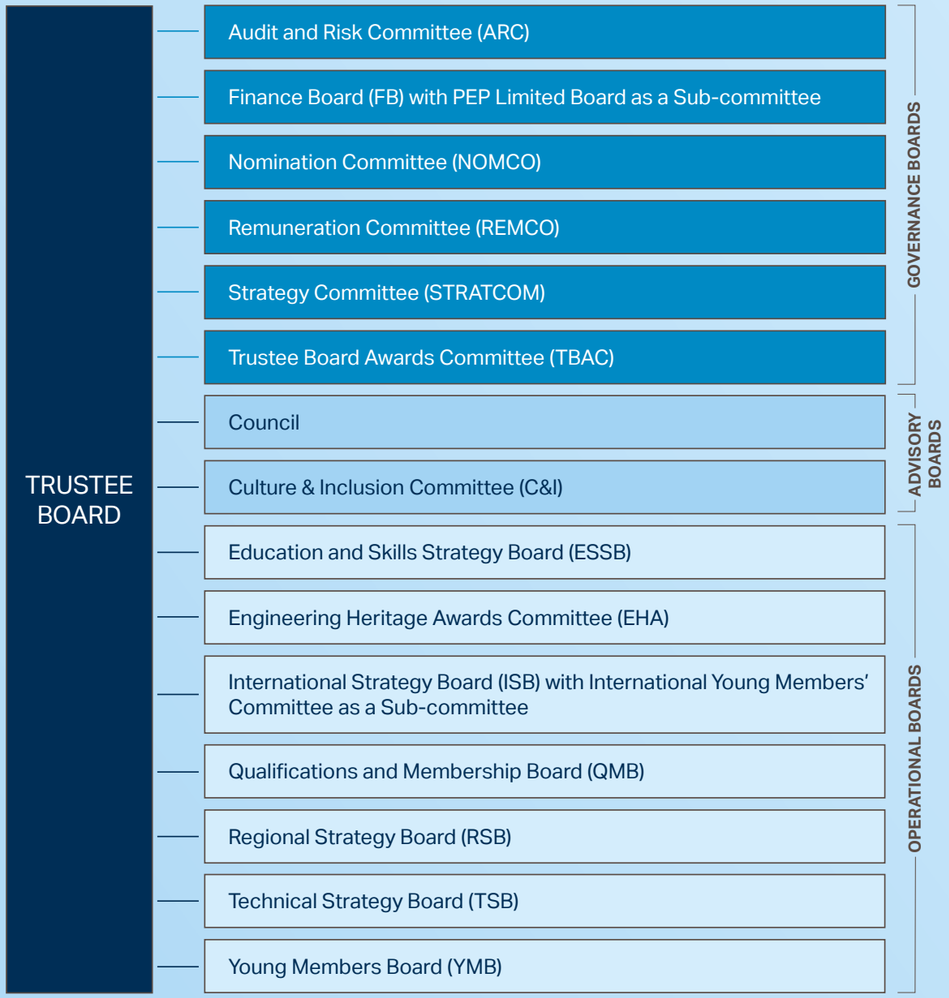
We study:

- our supply chain
- cleaning and catering suppliers
- any outsourced activities, particularly to jurisdictions that may not have adequate safeguards
- corporate hospitality.

We update our policies as needed and carry out risk-based reviews where appropriate.

Governance structure and trustee appointment

Working together to deliver our shared purpose



Trustee Board

IMechE is governed by a Trustee Board comprising of members of the Institution, elected annually to office by Corporate and Associate Members. The Trustee Board comprises the President, two Deputy Presidents, three Vice-Presidents, an International Vice-President and five or more Ordinary Members. Standard trustee term is 3 years, but they can stand for re-election as per the by-laws.

To ensure the Trustee Board has the right balance of skills and experience, it has the power to co-opt individual Trustees with specialist expertise. This was most recently exercised to appoint a specialist Trustee to support the HQ building project, following a process managed by the Nomination Committee.

President	**Dr Clive Hickman OBE** until 22.05.2025 **Matt Garside** from 22.05.2025
Deputy Presidents	**Matt Garside** until 22.05.2025 **Dr Richard Judge** **Prof David Nowell** from 22.05.2025
Vice Presidents	**Simon Evans** elected 25.05.2023 **Prof David Nowell** until 22.05.2025 **Chanaka Wanniarachchi** casual vacancy until 22.05.2025
International Vice President	**Chris Chong** elected 23.05.2024

Ordinary Members	**Abbey Addison** elected 23.05.2024 **Bridget Eickhoff** until 23.05.2024 **Ruth Shilston** elected 25.05.2023 **Darren Sharpe** elected 23.05.2024 **Christopher O'Boyle** co-opted 14.02.2024 **Adrian Waldock** co-opted 18.10.2024
Member under 30	**Joshua Thomson-Smith**
Member normally resident overseas	**Peter Lee** casual vacancy until 22.05.2025
Retired or resigned	Past President **Giles Hartill** Ordinary Member **Bridget Eickhoff** until 23.05.24

In 2024, Trustees met five times for Board Meetings supported by the Executive team. In addition to the five main Trustee Board meetings, Trustees met on seven other separate occasions to discuss specific issues.



Governance structure and trustee appointment

Executive Team

The Chief Executive is responsible for the day-to-day management of the Institution, in line with the Royal Charter, By-laws, and the strategic direction set by the Trustee Board, as well as for the organisation and leadership of the Institution's employees. This work is supported by five Executive Directors who assist in delivering these responsibilities.



Chief Executive Officer	**Dr Alice Bunn, OBE**
Director of Digital, Data and Innovation	**Jake Fraser**
Director of Engineering Policy and Impact	**James Partington**
Director of Finance	**Sean Fox** until 31.07.2024 **Bill Chidgey** interim from 09.08.2024
Director of Member Operations	**Joanna Horton**
Director of People & Culture	**Bims Alalade** until 31 July 2025
Chief Operating Officer	**Jo Passingham** from 16 June 2025

Boards and Committees

The Trustee Board is supported by a range of governance, operational, and advisory boards and committees.

Governance

Audit and Risk (ARC) – Provides objective and independent review of risk management, control, and governance processes.

Finance (FB) – Oversees the Institution's finances and investments. The PEP Limited Board, a sub-committee of the Finance Board, is responsible for managing the Institution's trading subsidiaries.

Nominations (NomCo) – Ensures independent and transparent recruitment of qualified members and non-members to boards and committees.

Remunerations (RemCo) – Determines remuneration packages for the Chief Executive and Directors, and oversees the overall settlement for all employees.

Strategy (StratCom) – Develops the Institution's high-level purpose, vision, strategy, and objectives.

Trustee Board Awards (TBAC) – Administers the disbursement of the Institution's major prizes and awards.

Operational

Education and Skills Strategy Board (ESSB) – Influences education and skills initiatives to inspire, educate, and retain young people, contributing to the long-term sustainable diversification and growth of the engineering profession.

Engineering Heritage Awards Committee (EHAC) – Recognises and celebrates engineering heritage worldwide.

International Strategy Board (ISB) – Leads activities and engagement with members based outside the British Isles. The International Young Members Committee reports directly to ISB.

Qualification and Membership Board (QMB) – Maintains the standards for election to, and continuance of, membership of the Institution and registration with the licensing bodies.

Regional Strategy Board (RSB) – Leads engagement with members based in the UK and Republic of Ireland.

Technical Strategy Board (TSB) – Promotes technical interests and coordinates activities across industry sectors (Divisions) and engineering technologies (Groups).

Young Members Board (YMB) and the International Young Members Committee (IYMC) – Champion and promote engagement and activities for members within ten years of professional registration.

Advisory

Council – Provides advice on the direction and strategy of the Institution and communicates the representative views of the membership.

Culture & Inclusion (C&I) – Offers guidance on matters related to equality, diversity, and inclusion for both members and employees.

Administrative details

Name
The Institution of Mechanical Engineers

Address of principal office
1 Birdcage Walk, Westminster,
London, SW1H 9JJ

Charity registration numbers
Charity Commission of England & Wales:
The Institution and subsidiary prize and award funds are registered under 206882.

The Whitworth Scholarship Funds are registered under 313756.

Office of Scottish Charity Regulator:
The Institution is registered under SC051227.

Governing document and constitution
The Institution was founded in 1847 and was incorporated by Royal Charter in 1930. Digital copies of the Royal Charter and By-Laws are available on our website or by request via our Corporate Governance team at governance@imeche.org.

Professional advisers

Auditor:
MHA Audit Services LLP - 2 London Wall Place, Barbican, London EC2Y 5AU

Bankers:
CAF Bank Ltd (until 31.03.2024) - PO Box 289, Kings Hill, West Malling, Kent ME19 4TA

National Westminster Bank PLC - PO Box 113, Cavell House, 2A Charing Cross Road, London WC2H 0PD

Investment managers:
Blackrock Investment Management (UK) Limited (until 31.03.2024) - 33 King William Street, London EC4R 9AS

CCLA Investment Management Limited - 80 Cheapside, London EC2V 6DZ

Schroder & Co Limited - 12 Moorgate, London EC2R 6DA

Solicitors:
Mills & Reeve LLP - Botanic House, 1 Hills Road, Cambridge CB2 1PH

Pension advisers:
Barnett Waddingham LLP - Decimal Place, Chiltern Avenue, Amersham HP6 5FG
Lane, Clark & Peacock LLP - 95 Wigmore Street, London W1U 1DQ

Risk management and risk appetite

Risk management

At IMechE, risks are managed at both corporate and department levels through formal risk registers in accordance with the Institution's risk policy.

The introduction of risk management software in 2024 has improved the consistency in approach to risk management across the organisation.

A Risk Manager and the Associate Director of Governance work with the Executive Team and Department Managers to maintain the risk register. New and existing risks are regularly reviewed and managed.

The Trustee Board is responsible for the Institution's risk, but they, delegate oversight to the Audit & Risk Committee (ARC). ARC reviews the Corporate Risk Register every three months to make sure that risks are being addressed and properly mitigated. The Trustee Board reviews the Corporate Risk Register once a year and also considers any major risks escalated by the ARC in between reviews.

Comprehensive insurance cover, designed for the risk profile of the Institution, is in place. To support informed decision making and risk mitigation at IMechE, independent professional advice is sought in areas such as charity law, investment management, freehold land and buildings, staff pension scheme and governance, and elsewhere as appropriate.

Risk appetite statement 2024

Risks are events that may or may not happen, that could lead to the Institution not achieving its objectives.

Risk appetite is the level of risk that the Institution is willing to tolerate whilst achieving its objectives, including financial and operational priorities.

The Institution's priorities include:

- Charitable aims and principles
- Duty of care to the Charity and our members.
- Our resources (people, infrastructure, environment).
- Our commitment to continual review and improvement.

IMechE's approach to risk varies depending on the situation and is based on careful evaluation. We also assess how risks could affect relevant stakeholders.

Our risk appetite is outlined by category as:

Appetite	Category
Zero or very low	**Regulatory and compliance** Risks that may result in non-compliance, leading to the potential for the legality of our activities being questioned, or an adverse impact regarding our health, safety and environment record. **Reputational** Risks (including, but not limited to, culture, equity, diversity, inclusion, values and behaviours) that could damage or undermine stakeholder trust, or diminish public confidence in the engineering profession.
Low	**Financial** Risks that affect our drive for financial stability; noting that a degree of risk is tolerated for the purposes of investments, but our funds are diversified and conservatively managed. **Operational** Risks that could impact the quality or reliability of our operations and member services.
Moderate	**Strategic** Risks that drive innovation, growth and enable our capabilities in support of our purpose.

Major organisational risks

The table highlights our priorities, including areas where major risks have turned into issues that need to be addressed.

Risk category: Financial

Risk	Management
The Defined Benefit pension scheme valuations move adversely in the future IMechE has a defined benefit pension scheme (closed to new members for many years). There is a high cost of administering the scheme.	The Pension Trustees, IMechE and the scheme administrators (Barnet Waddingham) have explored opportunities to eliminate this risk. Market conditions were considered very favourable, and as such, in July 2025, a buy-in of this scheme has been committed to moving to a full buy-out expected in 2027. The full cost of this is estimated at £2.7M, though there will be savings of £0.4M per year going forwards and the removal of significant risk.
Significant investment to achieve a fit for purpose HQ The cost of running and maintaining IMechE's property assets, which continues to increase significantly, remains a long-standing risk. Our headquarters continue to require major repair, and upgrade works due to its age and condition. When a decision is needed on the future of the Headquarters, a two-thirds majority of the membership vote is required to permit the scenarios of selling all or part of the building, or to mortgage the building for renovation. Without resolution the ongoing investment required to run the building poses a high financial risk.	The Headquarters Sponsor Board (HQSB) now manages the review of options for the future of the headquarters building. A robust business case has been put together with experts and the process is closely overseen by Trustees and independent reviewers. The membership is consulted on the options. They passed approval to market the property at a Special Meeting in January 2025. The second stage of the voting process is planned to take place in late 2025. During this uncertain time, maintenance is planned, as are building inspections (twice a month). The Audit & Risk Committee receive regular Health and Safety reports to ensure that all legal obligations are met.

Risk category: Financial

Risk	Management
Unsustainable finances Significant progress has been made in addressing long-standing pension and trading subsidiary risks, with the future of our headquarters building being the remaining major issue to resolve. There are risks arising from insufficient alignment between operating costs and overall strategy, and the need to strengthen and embed robust financial management practices across the Institution.	Alongside a strong focus on supporting a decision on the future of HQ, increased emphasis is being given to simplifying our financial structures and strengthening management practices. This has included a project to better understand our cost base, which supported an organisational restructure in 2025 and provides a valuable foundation on which to build our 3-year plans. Proposals to strengthen how the Institution works together, through the outcomes of a cross-cutting review that explored our high-level operating model, will also help financial sustainability.

Risk category: Operational, Compliance and Regulatory

Risk	Management
Cyber threats and GDPR breaches Cyber security remains a high risk, with old systems presenting a higher risk. Risks include malicious attacks from a third party and human error within the organisation. IMechE relies on a large network of volunteers to carry out its objectives. This network often sends and receives information, to all active volunteers, increasing this risk.	Servers have been moved out of our headquarters. We are mapping our business processes. We continue to depend on technology and infrastructure. All staff and volunteers complete GDPR training. We plan to increase the frequency of volunteer training. Incidents are reported centrally, which helps us to understand different needs. We can then tailor training to departments.
Low volunteer engagement Reduced member engagement is a risk as volunteers are essential to some of our core activities.	We are looking to measure the experience of our volunteers. A volunteer service benchmark project will evaluate how we engage and support volunteers across the organisation and is managed by both staff and volunteers. We've launched a Communications Forum for the Operating Board chairs and Executive to work together and share information throughout the volunteering community. Key policies to support volunteers are under review or being created.

Risk category: Operational

Risk	Management
IMechE values and behaviours are not embedded Members and staff may not abide by IMechE's values and behaviours. As new complaint processes embed, there is a risk of an increased incidence of concerns, complaints and grievances being raised that could adversely affect the Institution's reputation and standing within society.	Work on embedding values and behaviours within the organisation continues. Complaints policies and behavioural policies are in place. A review of how the different complaint policies align is underway. Work is underway to develop a volunteer code of conduct which will be a tool to ensure high standards of behaviour across all boards and committees. An externally supported review of culture and behaviours is planned to begin in 2025 and should also help identify and implement any actions needed to reinforce our expectations.

Public benefit statement

The Trustees confirm that they have complied with the duty in Part 1, Section 4 of the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit, 'Charities and Public Benefit'.

The charitable objective of the Institution is to promote the development of Mechanical Engineering to benefit 'the general public and society' as detailed in the Royal Charter.

The Trustees ensure that this purpose is carried out for the public benefit by delivering services that are valued by our members and setting standards of achievement for engineers, thereby engendering public confidence and trust.

Membership is open to people who are pursuing a career or have an interest in mechanical engineering.

The Institution actively pursues the development of debate and action on topics for the betterment of society that relate to mechanical engineering.

The Institution provides free literature, free lectures and free access to the library to encourage members of the public to engage in the improvement of the world through engineering.



Financial review

Financial results

A strong financial foundation is critical to supporting IMechE's charitable mission and delivering the strategy to develop a global, inclusive and digitally enabled engineering community. To help achieve this, IMechE operates as a professional engineering institution, also running commercial ventures through its PEP Group and invests in innovation in support of its charitable purpose.

Significant progress was made throughout 2024 in addressing a range of long-standing financial challenges, with the goal of simplifying our financial structures and creating a strong foundation for the future. As outlined below, this includes streamlining of our commercial activities through strategic divestments and closure of dormant subsidiaries; preparing the defined benefit pension scheme for derisk through a buy-in (completed in July 2025); and extensive activity to inform decisions for the future of our HQ building.

The finance team also underwent major change following a significant turnover of staff in mid-2024. While this brought challenges through the loss of institutional knowledge, it also created opportunities to introduce new ways of working. Several audit findings from previous years were resolved during the year. Work in this area — including the strengthening of financial management across the Institution, with enhanced data to support this — continues into 2025.

Income

In 2024, group income rose £1.7M (6%) to £31.9M (2023: £30.2M) with growth in both charitable income £21.2M (2023: £20.2M) including Whitworth, and trading activities £10.7M (2023: £9.8M).

The growth in charitable income was driven largely by membership income as a result of the increase in subscription rates. It rose £1M (7%) to £14.7M, (2023: £13.7M). Overall membership numbers declined by 2.2%, from 110,759 in 2023 to 108,377 in 2024. This reflects a slight shift in the balance towards paying members, as a result a reduction in the number of international affiliates who are mainly non-paying students. The number of paying members also declined slightly, by 0.4%, from 66,224 in 2023 to 65,987 in 2024.

Other areas to note were income reductions in the following income streams:

1 Apprentice end point assessment: £2.7M (2023: £2.8M) because 2023 marked the end of the temporary uplift in apprenticeship completions, whose progress had been delayed by the pandemic, also known as the "bubble effect".

2. Events: £1.9M (2023: £2.1M) due to a reduction in sponsorship of community events as well as the nature of the commercial events portfolio which has a few large biannual events which did not take place in 2024 such as the "Turbochargers Event" which generated £0.1M in 2023".

The PEP Group had a strong year, particularly as one of its main businesses was divested 8 months into the year. Learning and Development saw record 10% revenue growth driven by customer expansion as well as new programme offerings. PBIT however fell by 16% due to higher cost of sales and overheads. Venue Room Hire (OBW) external revenue decreased from £1.69M to £1.53M (9%). Sonaspection also recovered strongly with revenue up £1.1M and profitability restored. Further details can be found under the Trading Entities section below and in note 2 of the accounts.

Expenditure

The Group's operating expenditure rose by £3.6M (12%) to £32.6M in 2024 (2023: £29.1M). This increase is mainly due to a £2.2M rise in support costs allocated across IMechE's charitable and commercial departments, driven by higher governance and management costs (£0.9M), largely attributed to the additional support required for divestment of subsidiaries, pension buy-in (£0.7M), and the HQ Project (£0.3M) under facilities.

Direct costs also increased by £1.4M, with £0.8M from higher departmental activity and £0.6M from employment costs.

Of the latter, £0.4M reflects salary adjustments from benchmarking and a 5-person headcount increase, these were previously agreed and included in departmental cost increases. The remaining £0.2M relates to senior-level redundancy and ex-gratia payments.

Departments with material direct and support costs increases are reported below:

- **Groups, Divisions & Events** costs rose by £1.3M, due to £0.8M higher support cost allocations and £0.5M increase in direct costs. Notable direct cost increases include £0.3M in events delivery (mainly Formula Student), £0.1M in member engagement activity reflecting spend incurred by Committees.

  Member grants increased by £0.1M, which is below our aspirational target but showing positive progress. An additional £0.1M was invested in policy and education outreach, aligned with the Institution's strategic commitment to enhancing external impact. These cost increases were offset by cost reductions across multiple areas. Further work has taken place to understand why Member grants are not being spent to a higher level, including what additional action should be taken and the implementation will start in 2025.

- **Marketing** costs increased by £0.5M, with £0.3M from rising support cost allocations and £0.2M increased direct costs. The increase in direct costs includes salary increases from the benchmark review and reflects marketing activities being consolidated into one department. This restructure included strengthening leadership as part of plans to professionalise and rationalise approaches over coming years.
- **Membership Subscription** up by £0.5M, including £0.4M in allocated support costs and £0.1M in direct costs, which reflects the ongoing investment in member retention, value delivery and salary increases.
- **Costs of raising funds** increased by £0.4M, support cost increases of £0.3M and £0.1M from higher staff costs and activity levels.
- Most transactions under non-operating costs are the result of the progress made on divestment issues in 2024 as mentioned above. A significant item is the exceptional downward revaluation of the Sheffield building of £1.3M, which in 2024 is now being classified as an investment property due to it being rented to a non-group company, following the divestment of Argyll Ruane. Another is the loss of £0.6M from the sale of IMechE Fife NDT subsidiary via a Management Buy Out (MBO) which arose in part due to higher separation, preparation and divestment costs of £0.35M. Also, the one-off costs of £0.05M relating to the preparation for the divestment of Sonaspection in early 2025. These costs were offset by a £1M gain arising from investment gains (2023: £0.2M gain).

Overall performance

The net operating results are a deficit of £0.7M (2023: £1.2M surplus). Taken together, the Group operating and non-operating activities resulted in a net deficit of £1.4M (2023: £1.1M surplus). We are taking steps in 2025 to drive long-term financial sustainability. This includes a reduction in staffing levels through a structured redundancy programme. Further cost containment and prioritisation measures are being considered to align expenditure with strategic priorities and income expectations.

Restricted and endowment funds performed well with combined funds of £15.6M (2023: £14.9M) permitting the award of 20 new Whitworth Scholarship Award and 4 new Whitworth Senior Scholarship Awards to support PhD research. During the year, 9 award holders completed their degree courses and were elected "Whitworth Scholars" and 1 Whitworth Senior Scholarship Award Holder completed their PhD in "The Development of a Wearable Acoustic Emission (AE) Device for the Monitoring of Knee Joint Health" at Cardiff University and was elected "Whitworth Senior Scholar".

The commercial businesses, referred to in this report as trading entities, generally showed strong performance as shown below.

Charity reserves

Total reserves are £33.2M at the end of 2024 (2023: £34.6M). This is made up of Endowment funds, which are £11.9M at the end of 2024 (2023: £11.2M), restricted funds, which are £3.7M at the end of 2024 (2023: £3.7M), and unrestricted and general funds, which are £17.6M at the end of 2024 (2023: £19.7M).

Unrestricted and general funds include free reserves. Free reserves are, in broad terms, the cash that we hold or could generate relatively quickly from unrestricted funds. These are primarily held to enable the Institution to respond to significant adverse events, and also enable build-up of funds to support planned investments. In effect they are the total of cash or cash equivalents, stock, debtors and assets that could be readily sold ("liquid" assets), with all liabilities subtracted.

The Trustees reviewed and updated the free reserves policy. A new minimum level of £5M reflects a threshold below which all sums are kept to protect the Institution from adverse events and a target level of £10.0M (2023: £10.0M). The unchanged target reflects both a reduction in business risks following divestment of subsidiaries and plans in place to replace outdated legacy IT systems, including a full review of business processes and data flows, as well as improving the resilience of our existing systems where immediate replacement is not possible or practical. This is offset by increased risk as the HQ building continues to age and a more aggressive cyber security environment.

Free reserves at end of 2024 were £8.7M (end of 2023: £7.8M). This continues the steady trend in growth since 2020 when free reserves were £5.1M. This growth in free reserves, in a year which also saw operational losses, comes largely from a result of there being more net working capital (predominantly cash as per note 26) and to a lesser extent, the £0.3M increase in unrestricted investments.

Looking ahead, in 2025, there will be an exceptional reduction to free reserves, currently expected to be £2.2M, as a result of de-risking the defined benefit pension scheme through a buy-in, which will be partly compensated for by the sale of Sonaspection.

Trading Entities

Strategic developments

IMechE operates its trading activities through its wholly-owned subsidiary Professional Engineering Projects Limited (PEP Ltd). Through 2024, and the first quarter of 2025, PEP Ltd delivered on IMechE's decision to rationalise its trading entities.

Following the transfer in 2023 of IMechE Argyll Ruane (a division of PEP Ltd) activity into the associated subsidiary, IMechE Fife NDT, they were divested of in August 2024. In addition, the Sonaspection group was prepared for sale and a buyer found (that was sold on 28 February 2025). Also, two unused legal entities were closed. Between January 2024 and March 2025, the PEP Group had thus reduced from seven legal entities to just the single PEP Ltd legal entity.

As a result, the only remaining trading activities are IMechE Learning and Development (L&D), providing engineering and management training courses, and One Birdcage Walk, which provides venue hire, with catering and other support for events at the London HQ.

During 2025, the intention is to complete a review of PEP Ltd to consider how IMechE might make best use of its subsidiary. As well as determining potential changes to the mix of activities delivered from within the subsidiary, this includes reassessing governance structures, interfaces with the charity and the long-term loan that was set up in 2019 to replace £5.1M of the intercompany short-term debt owed by PEP to IMechE at that time.

Trading performance

The PEP Group continued its turnaround in trading profitability.

Unconsolidated Results	Revenue £M		PBIT £M	
	2024	2023	2024	2023
Learning & Development	2.96	2.70	0.31	0.36
One Birdcage Walk (Venue Room Hire)	1.53	1.69	0.37	0.23
IAR Argyll Ruane[1]	–	2.051	–	(0.03)
PEP Limited (Other)[2]	0.04	–	(0.16)	(0.80)
PEP Limited	4.54	6.90	0.52	(0.24)
Sonaspection Group	4.16	3.07	0.42	0.04
IMechE Fife NDT[3]	2.35	0.65	(0.45)	(0.01)

Notes:
1 In 2023 IAR Argyll Ruane was a division within PEP Ltd. This division was transferred into IMechE Fife NDT Ltd on the 1 January 2024, and its results incorporated above within IMechE Fife NDT in 2024.
2 PEP Ltd (Other) are primarily non-trading costs, separated out to give clarity on L&D and OBW performance.
3 IMechE Fife NDT represents 8 months of activities within the IMechE Group and on the 31 August 2024 the company was sold via a management buy-out.

LEARNING & DEVELOPMENT
Institution of MECHANICAL ENGINEERS

Learning & Development continued to deliver a strong performance in 2024, generating a growth of 10% in revenue, a new record for annual turnover. Business-to-business (company programmes) growth was driven by an increase in the number of active customers purchasing from a broader product portfolio, and business-to-customer (public programmes) performance benefited from the introduction of new locations such as Manchester and additional offerings to the existing programme.



One Birdcage Walk

One Birdcage Walk Although total venue room hire revenue has decreased by 9%, external revenue continued to perform strongly in 2024 and increased to £1.5M, representing 16% year-on-year growth and surpassing the pre-COVID peak of £1.3M. A decision was made to discontinue charging internally during 2024. It should be noted that the long-term outlook for the One Birdcage Walk business is closely tied to strategic decisions concerning the future of IMechE's headquarters building.

ARGYLL RUANE
Institution of MECHANICAL ENGINEERS

IMechE Fife NDT Ltd (the combined business) benefited from a package of actions implemented in 2023 and 2024, such as reducing the cost base, revising pricing strategies and rebalancing the sales mix. This enabled the profitability of the company to be restored by the point of divestment in August 2024.

SONASPECTION
Institution of MECHANICAL ENGINEERS

Sonaspection delivered a strong recovery in 2024, following a challenging 2023. The business experienced sustained high demand, leading to increased order intake and work volumes. As a result, revenue increased by £1.09M compared to the previous year and profitability returned to levels that were more in line with historical performance.

Group Balance Sheet

Our listed investments increased to £19.6M (2023: £18.7M) after sales of £0.3M (2023: £0.2M), thanks to positive market movements.

Through the Stephenson LLP fund, we invested in early-stage innovation companies until November 2018, in line with our charitable aim of being an impulse to innovation. Further investment is now on hold, outside of the costs necessary to operate the fund for the remainder of its life. At the end of 2024, we remained invested in 10 companies at a historical cost of £1.5M (2023: 10 companies at £1.5M). The market value of these investments was £2.4M at the end of 2024 (2023: £2.6M), a decrease of £0.2M (2023: £0.5M decrease).

Intangible assets reduced by £0.9M (2023: £0.4M) to £2.2M (2023: £3.1M), with annual amortisation charges exceeding investments in the year.

Tangible fixed assets decreased by £3.1M (2023: £0.2M decrease) to £2.6M (2023: £5.7M) due primarily to the divestment of Fife NDT Ltd. Fixed assets amounting to £0.4M were transferred to the Management Buy Out company as part of the sale. Also, after the sale, the net book value of the Europa View building in Sheffield of £2.4m was reclassified as investment property as it is now held to generate rental income for the Institution.

The reclassification of the Sheffield building as an investment property resulted in a one-off impairment charge of £1.3m to align its carrying value with the market valuation as at year end.

The pension fund remained at £nil at the end of 2024 (2023: £nil). The funds are in fact recorded as a surplus of £3.0M (2023: £2.3M) but this surplus cannot be recognised as there is no provision for it to be returned to the employer. Trustees of the pension fund and the Institution in July 2025 entered a 'buy-in' contract with PIC to significantly reduce its pension liabilities, before expecting to move to a full buy-out in 2027. This surplus it taken into account within the buy-in price.

Overall group reserves decreased to £33.2M from £34.6M in 2023. This £1.4M reduction is driven by the £2.1M reduction in unrestricted and general funds, the majority of which is the result of the impairment on the Sheffield property. The Institution continues to remain financially sound and the Trustee Board is committed to maintaining financial prudence and, in particular, making an overall surplus.

As reported last year, subsequent to legal advice, the Trustees concluded that a 2022 decision to write off £0.8M of the £5.1M debt owed to IMechE by IMechE's trading subsidiary Professional Engineering Projects Limited (PEP Ltd) was a wrong decision. Corrections were made in the 2024 accounts, following consultation with the Charity Commission and the revision to the associated agreements, to restore the Charity's financial position to that which it would have been had the write-off never taken place, including interest on this.

Degree of financial dependency

The Institution is dependent on the voluntary efforts of its members who increase the impact of the Institution. However, there is no significant degree of dependence on any single member or small group of members in respect of voluntary effort or financial contributions.

Income from both members and events are also derived from a significant number of independent people and or sources.

Going concern

The Trustees have considered several factors in concluding that the adoption of a going concern basis in the preparation of these financial statements is appropriate. These factors have included a summary of the key risks and uncertainties in the context of the Institution's operations and a review of the budgets and forecasts, including cash flows and sensitivity analysis. The future forecast considers the mitigating actions the Institution has taken and considers both immediate liquidity and longer-term solvency, together with the impact on reserves.

Summary of funds and investments

General

A description of all the various funds included within the Institution's accounts is provided within Note 23. These funds increase the impact of the Institution. At 31 December 2024, these totalled £19.6M (2023: £18.7M).

Investment policy and returns

The Trustee Board has established an investment policy. The policy includes the following principles:

1. A diversity of investments will be held, in so far as is appropriate to the fund concerned. This may be achieved via a pooled investment vehicle like a unit trust or investment trust.
2. Investment policy will be appropriate to the needs of the fund.
3. Appropriately authorised investment managers will be employed.
4. Appropriately authorised nominees may be employed to hold individual stocks and shares. The investment managers work towards the following objectives:

Reserve Fund, General Trust and James Clayton Trust

Target asset allocations have been set for each fund with the objective of outperforming the relevant composite benchmark by 0.5% over rolling three-year periods. The composite benchmark being calculated using the asset allocations and an appropriate index for the asset class.

Other Trusts

Funds are invested in special pooled funds restricted to Charity use. It is not appropriate to set individual objectives for these investments. However, performance is compared against statistics prepared by the investment management company.

A summary of the total annual rates of return (income and capital) achieved on investments during 2024 and 2023 are as follows:

	2024 %	2023 %
Reserve Fund	13.2	5.8
General Trust	13.4	5.8
James Clayton Trust	13.4	5.8
Charities Official Investment Fund income units	5.1	12.4
Whitworth*	9.3	-
Whitworth – Charishare*	-	7.9
Whitworth – Charinco*	-	6.0

*Whitworth Charishare and Charinco are now listed as Whitworth, reporting a single rate of return, as they were combined and transferred to a different Investment manager during the year.

Independent auditor's report to the Trustees of The Institution of Mechanical Engineers

Opinion

We have audited the financial statements of The Institution of Mechanical Engineers (the 'parent charity') and its subsidiaries (the 'group') for the year ended 31 December 2024 which comprise the Consolidated Statement of Financial Activities, the Group and Charity Balance Sheets, the Consolidated Statement of Cash Flows and notes to the financial statements, including 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 2024, and of its 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.

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 parent charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

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 Trustees are responsible for the other information contained within the Annual Report. 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 where the Charities (Accounts and Report) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the Trustees' Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the 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 statement set out in the Trustees' Board report, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the

extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Obtaining an understanding of the legal and regulatory frameworks that the entity operates in, focusing on those laws and regulations that had a direct effect on the financial statements;
- Enquiry of management and those charged with governance to identify any instances of known or suspected instances of fraud;
- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Enquiry of management about any instances of non-compliance with laws and regulations;
- Reviewing the design and implementation of control systems in place;
- Testing the operational effectiveness of the controls;
- Performing audit work over the risk of management over ride of controls, including testing of journal entries and other adjustments for appropriateness;
- Evaluating the business rationale of significant transactions outside the normal course of business;
- Reviewing significant accounting estimates for bias;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Considering the risk assessment of significant subsidiaries so that appropriate audit procedures in response to such risks are included within the audit;
- Enquiry of component management and those charged with governance to identify any instances of known or suspected instances of fraud and/or non-compliance to laws and regulations affecting a component of the group.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of this report

This report is made solely to the parent charity's Trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the parent 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 parent charity and its Trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

MHA, Statutory Auditor
London, United Kingdom

Date: 05/08/2025

MHA is the trading name of MHA Audit Services LLP, a limited liability partnership in England and Wales (registered number OC455542).

MHA are eligible to act as auditors in terms of section 1212 of the Companies Act.

Statement of Trustees' responsibilities in respect of Trustees' Annual report and the financial statements

Under the trust deed and rules of the Charity and charity law, the Trustees are responsible for preparing the Trustees' Annual report and the financial statements in accordance with applicable law and regulations.

Charity law requires the Trustees to prepare financial statements for each financial year. The Trustees have elected to prepare the financial statements in accordance with FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The group and charity's financial statements are required by law to give a true and fair view of the state of affairs of the group and the Charity and of the Group's excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the Trustees:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements.
- State whether the financial statements comply with the trust deed and rules, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Charity will continue in business.

The Trustees are required to act in accordance with the trust deed and the rules of the Charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the Charity at that time, and to enable the Trustees to ensure that, where any statements

of accounts are prepared by them under section 132(1) of the Charities Act 2011, those statements of accounts comply with the requirements of regulations under that provision. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Charity and to prevent and detect fraud and other irregularities. The Trustees are responsible for the maintenance and integrity of the financial and other information included on the Charity's website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Fundraising

The Charity had no fundraising activities requiring disclosure under S162A of the Charities Act 2011.

Disclosure of information to auditor

The Trustees who held office at the date of approval of this Trustees' Annual report confirm that, so far as they are each aware, there is no relevant audit information of which the Institution's auditor is unaware; and each Trustee has taken all the steps that he/she ought to have taken as a Trustee to make himself/herself aware of any relevant information and to establish that the Institution's auditor is aware of that information. The financial statements have been prepared in accordance with the accounting policies set out in the notes to the accounts and comply with the Charity's governing documents, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with FRS102, the Financial Reporting Standard applicable and in the UK and Republic of Ireland, published on 16 July 2014.

This annual report was approved by the Trustee Board on 31 July 2025 and was signed on its behalf by:



Matt Garside
President



Dr Richard Judge
Chair, Finance Board

Consolidated statement of financial activities for the year ended 31 December 2024

	Notes	Unrestricted Funds	Restricted Funds	Endowment Funds	2024 Total	2023 Total
Income and Endowments from:		£'000	£'000	£'000	£'000	£'000
Donations and Legacies		-	13		13	22
Grants		-	267		267	-
Charitable activities						
Membership subscriptions		14,719	-	-	14,719	13,739
Groups, Divisions & Events		1,859	-	-	1,859	2,114
Professional development & Membership		222	-	-	222	198
Information & Library services		5	-	-	5	5
Apprentice End Point Assessment		2,699	-	-	2,699	2,805
Other trading activities						
Venue hire, Training, Exam Services, Consultancy, Flawed Samples		10,933	-	-	10,933	10,076
Marketing, advertising and merchandise		23	-	-	23	29
Investments						
Interest & Dividends	14	36	463		499	795
Other						
Other income	2	27	-	-	27	26
Rents Receivable		656	-	-	656	439
Total income		31,179	743	-	31,922	30,248
Expenditure on:						
Raising funds						
Non-charitable trading activities		10,395	-	-	10,395	9,985
Investment management costs		6	10		16	15
Charitable activities						
Groups, Divisions & Events		6,597	267	-	6,864	5,569
Marketing		2,926	-	-	2,926	2,400
Business Development		2,462	-	-	2,462	2,344
Apprentice End Point Assessment		2,906	-	-	2,906	2,930
Professional development		1,239	-	-	1,239	1,071
Information & Library Services		1,034	-	-	1,034	875
Membership Subscriptions		3,437	-	-	3,437	2,888
Tenants & Public Facilities		637	-	-	637	536
Prizes, Awards and Scholarships		-	711		711	452
Total expenditure	3	31,639	988	-	32,627	29,065
Operating Surplus/Deficit		(460)	(245)	-	(704)	1,183
Net Gains on investment assets	23	41	159	785	985	234
Loss on sale of subsidiary		(560)	-	-	(560)	-
Loss on revaluation of investment property	13	(1,329)	-	-	(1,329)	-
Net income /(expenditure)		(2,308)	(86)	785	(1,609)	1,417
Transfer between funds		-	28	(28)	-	-
Net income /(expenditure) after transfers		(2,308)	(58)	757	(1,609)	1,417
Non-charitable trading activities - corporation taxation		(139)	-	-	(139)	-
Other recognised gains /(losses)						
Actuarial gains /(losses) on defined benefit pension scheme	10	390	-	-	390	(307)
Net movement in funds		**(2,057)**	**(58)**	**757**	**(1,358)**	**1,110**
Reconciliation of funds						
Total funds brought forward, as previously stated	23	19,661	3,716	11,187	34,564	33,454
Total funds carried forward	23	**17,604**	**3,658**	**11,944**	**33,206**	**34,564**

Comparative information	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2023 Total £'000
Total income	29,657	591	-	30,248
Total expenditure	(28,604)	(461)	-	(29,065)
Net investment gains	(473)	138	569	234
Transfers between funds	(10)	10	-	-
Actuarial losses on defined benefit pension scheme	(307)	-	-	(307)
Net movement in funds	**263**	**278**	**569**	**1,110**

There were no other recognised gains or losses other than those listed above and the net income for the year.

All the Group's financial activities in this and the prior year were continuing with the exception of IMechE Fife NDT Ltd which was divested in 2024.

Consolidated balance sheet as at 31 December 2024

	Notes	Group 2024 £'000	Group 2023 £'000	Institution 2024 £'000	Institution 2023 £'000
Fixed assets					
Intangible assets	11	2,218	3,085	2,176	2,802
Tangible assets	12	2,617	5,665	2,319	5,044
Investment property	13	1,150	-	1,150	-
Investments: listed	15	19,597	18,685	12,567	11,760
Investments: social	14	2,377	2,602	2,377	2,602
Total fixed assets		27,959	30,037	20,589	22,208
Current assets					
Stocks	16	213	227	6	11
Debtors	17	3,387	3,843	7,818	7,226
Cash at bank and in hand		10,094	8,985	8,306	8,273
Total current assets		13,694	13,055	16,130	15,510
Liabilities					
Creditors: amounts falling due within one year	18	8,437	8,486	6,953	7,229
Net current assets or liabilities		5,257	4,569	9,177	8,281
Total assets less current liabilities		33,216	34,606	29,766	30,489
Creditors: amounts falling due after one year	19	11	43	-	-
Net assets excluding pension liability		33,206	34,564	29,766	30,489
Defined benefit pension scheme liability	10	-	-	-	-
Total net assets	22	**33,206**	**34,564**	**29,766**	**30,489**
The funds of the charity					
Endowment funds		11,944	11,187	7,508	6,993
Restricted funds		3,658	3,716	855	927
Unrestricted & General funds		17,604	19,661	21,403	22,569
Total funds	23	**33,206**	**34,564**	**29,766**	**30,489**

The consolidated statement of financial activities is for the Group as a whole. The Charity's total income for the year was £21,515k (2023: £20,353k). The Charity's total funds decreased by £723k in the year (2023: £529k increase).

The financial statements were approved by the Trustee Board on 31 July 2025 and were signed on its behalf by:



Matt Garside, President



Dr Richard Judge, Chair, Finance Board

The notes to the accounts numbered 1 to 30 form parts of these accounts. Charity registration number: 206882.

Consolidated cashflow statement for the year ended 31 December 2024

	Notes	2024 £'000	2023 £'000
Cash flows from operating activities			
Net cash provided by / (used in) operating activities	26	793	1,594
Cash flows from investing activities			
Dividends, interest and rent from investments	14	499	795
Purchase of property, plant and equipment	12	(85)	(357)
Proceeds from sale of property, plant and equipment		210	41
Purchase of social investments	14	(13)	(36)
Purchase of intangible assets	11	(549)	(780)
Proceeds from sale of investments	15	296	210
Net cash provided by/(used in) investing activities		358	(127)
Cash flows from financing activities			
Bank loan repayments		(42)	(19)
Net cash flows provided by financing activities		(42)	(19)
Change in cash and cash equivalents in the reporting period		1,109	1,448
Cash and cash equivalents at the beginning of the reporting period		8,985	7,537
Cash and cash equivalents at the end of the reporting period		10,094	8,985

The notes to the accounts numbered 1 to 30 form parts of these accounts.

Analysis of changes in net debt

	Balance 01.01.24 £'000	Cashflows £'000	Balance 31.12.2024 £'000
Cash and cash equivalents			
Cash awaiting investment	44	(44)	-
Cash at bank and in hand	8,985	1,109	10,094
	9,029	1,065	10,094
Debt due within one year	(20)	10	(10)
Debt due after one year	(43)	32	(11)
	(63)	42	(21)
Total	8,966	1,107	10,073

Notes to the accounts for the year ended 31 December 2024

1 Accounting Policies

The Charity is registered with the Charity Commission (Reg N. 206882), domiciled in the UK and is a public benefit entity and incorporated by Royal Charter in 1930. The address of the registered office is 1 Birdcage Walk, London SW1H 9JJ.

a) Basis of preparation

The Financial statements have been prepared in accordance with the Charities SORP, FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and applicable UK charity law.

The Financial statements have been prepared to give a true and fair view and have departed from The Charities (Accounts and Reports) Regulation 2008 only to the extent required to give a true and fair view. This departure has involved following 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 (FRS102) effective 1 January 2019 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005, which has since been withdrawn.

The annual accounts have been prepared on the historical cost basis of accounting, modified by the recognition of certain financial assets and liabilities measured at fair value. The financial statements are presented in pounds sterling, rounded to the nearest £1,000, unless otherwise stated.

b) Going Concern

The Trustees have considered several factors in concluding that the adoption of a going concern basis in the preparation of these financial statements is appropriate. These factors have included a summary of the key risks and uncertainties in the context of the Institution's operations and a review of the budgets and forecasts, including cash flows and sensitivity analysis. The future forecast considers the mitigating actions the Institution has taken and considers both immediate liquidity and longer-term solvency, together with the impact on reserves.

Working capital requirements are met through a combination of income received from the Institution's activities, including commercial activities undertaken in the Institution's trading subsidiaries. The Institution has the ability to drawdown against funds held within the Institution's unrestricted investment portfolio if required. The Institution does not have any debt facilities. A £0.1M COVID-19 bounce back loan within a trading subsidiary was repaid in 2024.

Membership income is a key income stream, and the Institution continues to ensure the delivery of value from being a member to guard against any decline.

c) Basis of consolidation

Consolidated figures for the Institution and Group companies (see note 2 to the accounts) have been included in these financial statements for the year ended 31 December 2024. Companies acquired by the Group are consolidated on an acquisition basis i.e. fair values are attributed to the Group's share of the net tangible assets and where the cost

of acquisition (being the fair value of the purchase consideration and the expenses of the acquisition) is greater than the fair values attributable to such net assets, the difference is treated as goodwill. The assets and liabilities of the subsidiaries have been included with those of the Charity on a line-by-line basis.

d) Income

Income is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business and is shown net of VAT and other sales related taxes. No amounts are included in these financial statements for the services donated by volunteers.

With the exception of Membership income, all income is included in SOFA when the Institution is legally entitled to the income, and the amount can be quantified with reasonable accuracy.

Pecuniary legacies are recognised when probate is in place. Residuary legacies are recognised when probate is granted, a copy of the Will has been received to confirm the Institution's entitlement, and there is sufficient information to value them. In practice this is usually when the assets and liabilities statement is received. Reversionary interests involving a life tenant and contentious legacies are not recognised.

Membership subscription income is accounted for based on the amount receivable for the year. Accordingly, the amounts received during the year in relation to future years are deferred. Members who join in the final quarter of the year are not charged subscriptions by the Institution for that year. The annual subscription payment received is treated as relating entirely to the following year and is deferred.

Income from consultancy and flawed samples categories is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete, can be estimated reliably. When the outcome cannot be estimated reliably, income is recognised only to the extent of the expenses recognised that are recoverable.

Income from events, apprentice end-point assessment, venue hire, training and exam services, are recognised on the basis of the amount receivable in the period in which the event takes place. Rental income represents amounts receivable for tenant, car parking and various other income streams and is recognised over the terms of the lease or prevailing agreement in place. Income from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, the amount can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the entity.

Interest and dividends are recognised when receivable.

e) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation is calculated so as to write off the cost of fixed assets on a straight-line basis at the following rates:

Freehold buildings: Building improvements	→ 2% on original purchases, 4% on improvements per annum
Leasehold buildings: Building improvements	→ 2% or over the period of the lease if quicker per annum
Furniture and equipment:	→ 20 - 33.3% per annum
Plant and equipment:	→ 10 - 20% per annum

Freehold land is not depreciated.

Fixed assets are regularly reviewed to consider whether they have been impaired and to ensure that the depreciation costs reflect their working life. Expenditure below £1,000 is not capitalised, except laptops/computers.

f) Goodwill

Goodwill represents the excess of the cost of acquisition of incorporated and unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill shall be considered to have a finite useful life and shall be amortised on a systematic basis over its economic life of five years.

Where there are indications of impairment, an impairment review is undertaken to assess a recoverable amount, which considers a service potential and not cash flows.

g) Website and digital transformation costs

Website costs are capitalised when it is probable that the expected future economic benefits that are attributable will flow to the Group and their costs can be reliably measured. Website and digital transformation costs are initially recognised at cost and amortised over the expected useful life of five years.

h) Impairment of tangible and intangible assets

At each reporting end date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the

time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in SOFA, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

i) Financial assets

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial assets are recognised in the Charity statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

j) Financial liabilities

Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Other financial liabilities classified as fair value through profit or loss are measured at fair value.

k) Investments

Listed investments are stated at market value, valued at their bid price, at the balance sheet date. It is the Group's policy to keep valuations of stock exchange listed investments up to date, such that when investments are sold there is no gain or loss arising relating to prior years. As a result the statement of financial activities does not distinguish between the valuation adjustments relating to sales and those relating to continued holdings, as they are together treated as changes in the value of the investment portfolio throughout the year. Investments not listed on a recognised stock exchange are valued at fair value, unless there is no reliable basis of valuation, in which case they are valued at cost.

Mixed motives investment
The Institution formed a limited partnership with Stephenson LP in January 2014 to make venture capital investments into a portfolio of companies involved in or associated with young innovative engineering businesses.

This investment has a genuine mixed motive because investment is being made both for financial return but also to advance engineering. The investment is held at fair value based on the most recent share sale prices of the underlying investments, less any impairment. If there is objective evidence of impairment, then an immediate impairment loss is recognised in the statement of financial activities.

Investments in subsidiaries
Investments in subsidiaries are initially recognised at cost. Cost includes the purchase price and any directly attributable costs in acquiring the investment. Following initial recognition, investments in subsidiaries are measured at cost less any accumulated impairment losses.

l) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to Statement of Financial Activities.

m) Expenditure

Expenditure is included in the Statement of Financial Activities on an accruals basis and is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Costs are allocated to activities on a basis consistent with the use of resources. Where costs relate directly to a single activity, they are attributed to that activity. Where costs relate to more than one activity, they are apportioned on the basis of staff headcount or the proportion of floor space occupied by each activity, measured in metres squared.

n) Stocks

Stock classified as finished goods for sale is stated at the lower of cost and net realisable value using the FIFO method. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Work-in-progress is assessed on an individual basis based on the stage of completion of the contract which is estimated using a combination of the milestones in the contract and the time spent to date compared to the total time expected to be required to undertake the contract. Estimates of the total time required to undertake the contracts are made on a regular basis and subject to management review. These estimates may differ from the actual results due to a variety of factors such as efficiency of working, accuracy of assessment of progress to date and client decision making. See note 15 for the disclosure of the amount of work-in-progress as at the balance sheet date. Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

o) Staff costs and Termination benefits

Staff costs include wages and salaries, social security contributions, pension contributions, and other benefits provided to employees. These costs are recognised as an expense in the period in which the employee has rendered service to the Charity. Any unpaid amounts at the year-end are recognised as a liability.

Termination benefits are recognised as a liability and an expense when the Charity is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. A provision for redundancy is recognised when the Charity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The liability is recognised as the best estimate of the cost at the reporting date.

p) Retirement benefit

The Charity operates a defined benefit pension scheme which was closed to new members in 2002 and is also closed to future accrual. The Scheme provides benefits based on final salary and length of service on retirement, leaving service or death.

The Plan is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once 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 meet the Statutory Funding Objective. It also operates a defined contribution scheme open to existing staff. Defined benefit pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability.

For the defined benefit pension scheme, the current service costs, gains and losses on settlements and curtailments, and administrative costs are charged to expenditure. They are included as part of staff costs. Actuarial gains and losses are recognised immediately in 'Other recognised gains/ (losses)'. For the defined contribution scheme, the amounts charged to expenditure in respect of pension costs and the post-retirement benefits are the contributions payable in the year.

q) Operating leases

Rents payable under operating leases are recognised in the Statement of Financial Activities in the year in which they fall due. Future commitments under operating leases are disclosed in the notes to the financial statements.

r) Grant commitments

Scholarships are awarded for a period of study, usually three academic years, with the students' progress being assessed on an annual basis. Expenditure is not accrued beyond each academic year as future payments are subject to a review by the relevant panel, which therefore has discretion to terminate the funding agreement in case the performance-related conditions are not met. Prizes are paid in one instalment at the beginning of the academic year, with the exception of scholarships through the Whitworth fund, annual instalment. Multi-year grants that do not meet the recognition criteria are disclosed as contingent liabilities in the notes to the financial statements.

s) Prior period errors

Prior period errors are omissions from, or misstatements in, the Charity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that was available when the financial statements were authorised for issue and could reasonably have been expected to be obtained and taken into account.

Where a material prior period error is identified, the Charity will restate the comparative amounts for the prior period(s) presented in which the error occurred. If the error occurred before the earliest period presented, the opening balances of assets, liabilities and funds for the earliest prior period presented are restated. The correction is made retrospectively unless it is impracticable to determine the cumulative effect of the error. In such cases, the Charity will restate the comparative information prospectively from the earliest date practicable.

t) Critical accounting estimates and judgements

In the application of the accounting policies, the Trustees are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. Judgements and estimates are also required for the allocation of support costs to the expenditure headings in the Statement of Financial Activities, as set out in Note 3.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities have been outlined as follows:

Intangible fixed assets
The majority of the cost of intangible fixed assets are based on the capitalisation of both internal and external staff costs. These are allocated to specific projects based on a monthly review of time spent and development output conducted by the Chief Technology Officer, for the Charity's digital modernisation programme, or the relevant General Manager, for commercial training course development.

An annual review is conducted to assess the carrying value of the projects against future expected economic benefits.

Unlisted investments
The Group makes an estimate of the fair value of unlisted investments based on the last price paid for shares and subject to an impairment review for any material changes in circumstance since the last share sale.

Actuarial assumptions in respect of defined benefit pension schemes
The application of actuarial assumptions relating to defined benefit pension schemes is incorporated in the financial statements in accordance with FRS102. In applying FRS102, advice is taken from independent qualified actuaries. In this context, significant judgement is exercised in a number of areas, including future changes in salaries and inflation, mortality rates and the selection of appropriate discount rates. Due to the asset ceiling in place, under FRS102, the Charity is only permitted to recognise the surplus at the Review Date to the extent that it can recover the surplus either through reduced contributions in the future or through refunds from the Scheme. The Scheme is closed to benefit accrual, so it will not be possible to recover a surplus through reduced ongoing contributions.

Bad debt provision
The Group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtors, the aging profile of debtors and historical experience.

Investment property
At each reporting date, the Group makes an estimate of the fair value of investment property based on reports and consultation from external parties and through reviewing the property market and related factors.

u) Reserves

Unrestricted funds are those available for application against any of the Charity's objectives. Restricted funds are those only available for certain purposes defined by the provider of the original funds. Permanent endowment funds are those where the original gift may not be spent, only any income on those funds, which is placed into a related restricted fund. Expendable endowment funds are those where both the income and the original capital may be spent.

v) Taxation

As a charity the Institution is exempt from Corporation Tax. The tax expense represents the sum of the Corporation Tax currently payable and deferred tax in the commercial subsidiaries. The companies' liabilities for current tax are calculated using tax rates that have been enacted or substantively enacted by the reporting end date. Input VAT relating to taxable activities is fully recoverable and relating to exempt and out of scope activities is irrecoverable. VAT on support costs is partially recoverable, with the recoverable percentage being recalculated each year. Any irrecoverable VAT is recognised as an expense through support costs in the period to which it relates.

w) Heritage assets

Heritage assets comprise:

- printed books
- archives
- works of art and artefacts.

Additions to heritage assets are made by donation. Reliable and relevant information on the cost of many of the assets is therefore not readily available and there is a lack of comparable market values. As such, none of these assets are recognised in the accounts. Moreover, the Trustees do not consider that a reliable estimate of the fair value can be obtained without incurring costs that would exceed the benefits provided.

2. Net incoming /(outgoing) resources

The consolidated results for the Institution are presented in the statement of financial activities. These include the activity of the parent charity, The Institution of Mechanical Engineers, and the activities of its 100% owned subsidiaries, as detailed below. The incoming resources of the Institution alone for 2024 were £21,515k (2023: 20,348k), and resources expended in 2024 were £22,726k (2023: £19,430k).

	2024	2023
	£'000	£'000
Other income		
Administration fee for Whitworth Scholarship Fund	27	12
Profit on disposal of fixed assets	-	14
Total other income	27	26

Subsidiary companies

Professional Engineering Projects Limited, registered in England and Wales (Reg N. 01103638), was established by the Institution as an organisation from which it could conduct the majority of its publishing activities, including the magazines that are made available to members. Whilst this main trade was disposed of during 2010, the company continues to carry on trading in non-charitable activities, mainly provision of training to engineers.

The company also has four wholly owned subsidiary companies as at 31 December 2024, with IMechE Fife NDT Limited (Reg N. 01917207) having been sold on 31 August 2024. The four remaining subsidiaries are IMechE Services Limited (Reg N. 01361114), Siantonas Ball Limited (Reg N. 01655732), Sonaspection Worldwide Limited (Reg N. 04891363), Sonaspection International Limited (Reg N. 02050101), all registered in England and Wales, which carry on non-charitable trading activities. These activities are consolidated on a line-by-line basis with the relevant amounts described as "Other non-charitable trading activities" under Incoming Resources and Resources Expended in the Consolidated Statement of Financial Activities.

Both IMechE Engineering Training Solutions Limited (previously Argyll Ruane Limited) and Siantonas Ball Limited became dormant on 1 January 2014. An application to strike off IMechE Services Limited (Reg N. 01361114) and Siantonas Ball Limited (Reg N. 01655732) was made to the Companies House and accepted by them on 24 December 2024. These subsidiaries have since been dissolved in March 2025 and are no longer part of the IMechE group.

Sonaspection Worldwide Limited (Reg N. 04891363) and Sonaspection International Limited (Reg N. 02050101) as well as its wholly owned subsidiary, Sonaspection Inc registered in the United States of America, were sold on 28 February 2025. These activities are consolidated at Group with the relevant amounts described as "Other non-charitable trading activities" under Incoming Resources and Resources Expended in the Consolidated Statement of Financial Activities.

The whole of the issued share capital of Professional Engineering Projects Limited (£2) is held by nominees on behalf of the Institution. A summary of the subsidiaries' profit and loss account is shown below. Audited accounts are filed with the Registrar of Companies for the individual companies. These figures are subject to the adjustments mentioned above prior to their incorporation in the Consolidated Statement of Financial Activities.

The Whitworth Scholarships Fund, Charity Reg N. 313756, was established in 1868 under a deed of covenant and trust between Sir Joseph Whitworth and the then President of the Committee of Council on Education.

The Fund is now governed under the terms of a Scheme made by the Charity Commissioners for England and Wales dated 11 December 2001, with the Institution of Mechanical Engineers as the controlling entity.

A summary of the activities of each subsidiary company of the group can be found below:

2024	PEP Ltd	Sona Int'l	Sona Inc	IMechE Services	IMechE Fife NDT
Subsidiary companies	£'000	£'000	£'000	£'000	£'000
Turnover	4,535	2,814	1,348	-	2,352
Cost of sales	(2,080)	(1,479)	(813)	-	(1,185)
Gross profit	**2,455**	**1,335**	**535**	**-**	**1,167**
Distribution costs	-	(94)	-	-	-
Administration costs	(1,893)	(905)	(449)	-	(997)
Other income	15	-	-	-	-
Operating profit/(loss)	**577**	**336**	**86**	**-**	**170**
Write down of Investment in subsidiaries	(280)	-	-	-	-
Dividends receivable	222	-	-	-	-
Transfer of net assets on management but out	-	-	-	-	(620)
Profit/(loss) before interest and tax	**519**	**336**	**86**	**-**	**(450)**
Interest payable and similar expenses	(450)	(1)	-	-	-
Taxation	(54)	(85)	-	-	-
Profit/(loss) for the year	**15**	**250**	**86**	**-**	**(450)**
Total assets	3,011	2,707	374	-	-
Total liabilities	(7,026)	(440)	(538)	-	-
Total funds	(4,015)	2,267	(164)	-	-

*IMechE Fife NDT represent the 8 months of activities within the IMechE Group and that as at 31 August 2024 the company was sold via a management buy out.

2023	PEP Ltd	Sona Int'l	Sona Inc	IMechE Services	IMechE Fife NDT
Subsidiary companies	£'000	£'000	£'000	£'000	£'000
Turnover	6,903	1,942	1,130	-	652
Cost of sales	(2,769)	(1,079)	(630)	-	(342)
Gross profit	**4,134**	**863**	**500**	**-**	**310**
Distribution costs	-	(62)	-	-	-
Administration costs	(3,580)	(812)	(451)	(4)	(318)
Operating profit/(loss)	**554**	**(11)**	**49**	**(4)**	**(8)**
Write down of Investment value	(1,240)	-	-	-	-
Dividends receivable	450	-	-	-	-
Profit/(loss) before interest and tax	**(236)**	**(11)**	**49**	**(4)**	**(8)**
Interest payable and similar expenses	(287)	-	-	-	-
Taxation	-	13	-	-	-
Dividends payable	-	(450)	-	-	-
Profit/(loss) for the year	**(523)**	**(448)**	**49**	**(4)**	**(8)**
Total assets	3,446	2,170	430	-	1,112
Total liabilities	(6,633)	(239)	(679)	(28)	(663)
Total funds	(3,187)	1,931	(249)	(28)	449

3. Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to that category.

For administrative purposes the Institution is divided into a number of directorates and then subdivided into departments. Accounting records permit the costs and revenues of all departments to be determined accurately.

The classification of costs in the Consolidated Statement of Financial Activities utilises this information to show expenditure broken-down into broad functional areas

Where costs cannot be directly attributed to a particular heading, they have been allocated to activities on the basis of headcount and floor area.

Total grants paid in the year to individuals was £267k, this was to support the project "Formula Student - Artificial Intelligence" in the construction of Autonomous Vehicle. See website for details. www.imeche.org/events/formula-student/team-information/fs-ai. No grant was paid to institutions in the year.

2024	Direct costs	Allocated support costs	Total
Total resources expended	£'000	£'000	£'000
Raising Funds			
Non-Charitable activities	9,615	780	10,395
Investment Management Costs	16	-	16
Total Raising Funds	9,631	780	10,411
Charitable Activities			
Groups, Divisions & Events	4,048	2,816	6,864
Marketing & Policy	1,179	1,747	2,926
Business Development	1,201	1,261	2,462
Apprentice End Point Assessment	2,556	350	2,906
Professional Development	462	777	1,239
Information & Library Services	536	498	1,034
Membership Subscriptions	1,301	2,136	3,437
Tenants and Public Facilities	-	637	637
Prizes, Awards & Scholarships	711	-	711
Total Charitable Activities	11,994	10,222	22,216
Total resources expended	**21,625**	**11,002**	**32,627**

2023	Direct costs	Allocated support costs	Total
Total resources expended	£'000	£'000	£'000
Raising Funds			
Non-Charitable activities	9,533	452	9,985
Investment Management Costs	15	-	15
Total Raising Funds	9,548	452	10,000
Charitable Activities			
Groups, Divisions & Events	3,522	2,047	5,569
Marketing & Policy	929	1,471	2,400
Business Development	1,179	1,165	2,344
Apprentice End Point Assessment	2,605	325	2,930
Professional Development	405	666	1,071
Information & Library Services	522	353	875
Membership Subscriptions	1,104	1,784	2,888
Tenants and Public Facilities	-	536	536
Prizes, Awards & Scholarships	452	-	452
Total Charitable Activities	10,718	8,347	19,065
Total resources expended	**20,266**	**8,799**	**29,065**

2024	Governance and Management	Finance	Information Technology	Facilities and Depreciation	Defined Benefit Pension Scheme	Total
Allocated Support Costs	£'000	£'000	£'000	£'000	£'000	£'000
Raising Funds						
Non-charitable activities	153	87	363	177	-	**780**
Total Raising Funds	153	87	363	177	-	**780**
Charitable Activities						
Groups, Divisions and Events	1,196	304	389	655	272	**2,816**
Marketing & Policy	743	189	241	406	168	**1,747**
Business Development	536	136	174	293	122	**1,261**
Apprentice End Point Assessment	164	42	54	90	-	**350**
Professional Development	330	84	107	181	75	**777**
Information and Library Services	206	52	67	126	47	**498**
Membership Subscriptions	908	230	295	497	206	**2,136**
Tenants and Public Facilities	-	-	-	637	-	**637**
Total Charitable Activities	4,083	1,037	1,327	2,885	890	**10,222**
Total Resources Expended	**4,236**	**1,124**	**1,690**	**3,062**	**890**	**11,002**

2023	Governance and Management	Finance	Information Technology	Facilities and Depreciation	Defined Benefit Pension Scheme	Total
Allocated Support Costs	£'000	£'000	£'000	£'000	£'000	£'000
Raising Funds						
Non-charitable activities	18	23	262	149	-	**452**
Total Raising Funds	18	23	262	149	-	**452**
Charitable Activities						
Groups, Divisions and Events	882	227	353	532	53	**2,047**
Marketing & Policy	633	163	254	383	38	**1,471**
Business Development	502	129	201	303	30	**1,165**
Apprentice End Point Assessment	144	37	57	87	-	**325**
Professional Development	287	74	115	173	17	**666**
Information and Library Services	144	37	57	106	9	**353**
Membership Subscriptions	768	198	308	464	46	**1,784**
Tenants and Public Facilities	-	-	-	536	-	**536**
Total Charitable Activities	3,360	865	1,345	2,584	193	**8,347**
Total Resources Expended	**3,378**	**888**	**1,607**	**2,733**	**193**	**8,799**

Support costs comprise the Finance, IT, HR, Maintenance and running costs of One Birdcage Walk, as well as the closed defined benefit pension costs, governance and management of IMechE. These costs are allocated to IMechE's charitable and commercial activities on a pro-rata basis using headcount or floor area.

4. Taxation

The Institution is considered to pass the tests set out in Paragraph 1, Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable trust for UK income tax purposes. Accordingly, the Charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Part 10 of the Income Tax Act 2007 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.

The Charity's trading subsidiaries are subject to Corporation Tax.

5. Transactions with Members of the Trustee Board

	2024 £'000	2023 £'000
Travel and subsistence expenses	26	33
Number of members reimbursed	No. 7	No. 14

All Trustee costs are reimbursements to Trustees for costs incurred in fulfilling their duties.

The Trustees nor any person connected with them receive remuneration.

6. Indemnity Insurance

	2024 £'000	2023 £'000
Indemnity insurance premiums paid	11	11

During 2024 the Institution paid for two insurance policies, covering professional indemnity and the liabilities of Trustees and 'directors and officers'. Cover applies to the Trustee Board, Ordinary Members involved with Institution affairs and employees.

7. Staff employed

Average numbers of staff employed throughout the year:	2024 No.	2023 No.
The Institution of Mechanical Engineers	154	149
Professional Engineering Projects Limited	38	45
Sonaspection International Ltd	19	19
Sonaspection Incorporated	8	9
IMechE Fife NDT Ltd	3	5
Total employees	**222**	**227**

Employees in IAR Sheffield were charged to IMechE Fife from 01 January 2024, prior to TUPE transfer and divestment in August 2024.

8. Employment costs

	2024 £'000	2023 £'000
Salaries and benefits	11,195	10,636
Employer's social security costs	1,109	1,045
Employer's pension costs	567	551
Total employment costs	**12,871**	**12,232**

The numbers of employees whose emoluments for the year (including benefits in kind and redundancy/termination costs), excluding employer's pension contributions, exceeded £60,000 are analysed as follows:

	2024 No.	2023 No.
£60,001 - £70,000	19	16
£70,001 - £80,000	9	13
£80,001 - £90,000	5	4
£90,001 - £100,000	5	6
£100,001 - £110,000	-	1
£110,001 - £120,000	1	1
£120,001 - £130,000	3	1
£130,001 - £140,000	2	1
£180,001 - £190,000	-	2
£190,001 - £200,000	1	-
£250,001 - £260,000	1	-
Total	**46**	**45**

42 (2023: 42) of the above employees are members of the defined contribution scheme and none are active members of the defined benefit scheme. The Institution contributed £230,868 as employer pension contributions (2023: £237,302) for these members into the defined contribution scheme.

During the year key management received remunerations and benefits of £1,403,844 (2023: £1,074,506). The remuneration of key management consists of salary, employers' national insurance contributions, pension contributions and benefits in kind. The key management personnel remuneration has included 6 Directorates and 3 additional staff.

The charity designated six Directors as key management personnel.
Number of Directors in 2024: 6 (2023: 6).

Highest paid director - 2024: Sean Fox (2023: Dr Alice Bunn).

	2024 £'000	2023 £'000
Salary	254	181
Benefits	2	4
Total	**256**	**185**

Wages and salaries include termination and redundancy payments totalling £206,246, made up of contractual payments of £141,874 (2023 - £4,236) and non-contractual payments of £64,372 (2023 - £2,538). These payments were made to 6 employees (2023: 2 employees).

The non-contractual payments for 2024 were ex-gratia payments of £64,372 (2023: £2,538) and other benefits of £12,511 (2023: nil) made to 6 employees (2023: 1 employee) under the authority of the Trustees as being in the best interest of the Charity. There were no associated liabilities at the year end.

9. Auditor's remuneration

	2024 £'000	2023 £'000
Fees for: the audit of these financial statements	75	116
Fees for: the audit of other group companies	37	37
Total	**112**	**153**

10. Pensions

The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once 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 meet the Statutory Funding Objective. The Institution operates a defined benefit pension arrangement called the Institution of Mechanical Engineers Staff Pension & Life Assurance Scheme (the Scheme). The Scheme is closed to new members with an effective date of 5 September 2002, and is closed to future accrual. The most recent comprehensive actuarial valuation of the Scheme was carried out as at 31 December 2023, and the next valuation of the Scheme is due as at 31 December 2026.

A defined contribution pension plan has been established for employees who are not eligible to join the defined benefit pension scheme. The Institution has agreed to match employee contributions to the defined contribution plan up to a maximum of 10% of salary. There is an outstanding contribution at the end of the financial year of £119,226 (2023: £128,138).

The pension cost charge for the period represents contributions payable by the Institution to the defined benefit pension plan and amounted to £500,000 (2023: £500,000).

Assumptions	2024 %	2023 %.
Price inflation (RPI)	3.10	2.90
Price inflation (CPI)	2.60	2.50
Salary increases	3.60	3.40
Discount rate *	5.40	4.50
Pension increase (RPI max 5%)	3.00	2.85
Mortality base table	99% S3PMA for males	99% S3PMA for males
	97% S3PFA for females	97% S3PFA for females

* Return on Assets is equal to the discount rate (in line with FRS102).

Mortality assumptions used in 2024 and 2023 are based on the S3PxA tables adjusted to reflect the broad wealth characteristics of each member. Future improvements are assumed to be in line with the CMI projection model, assuming improvements have peaked. The long term improvement is assumed to be 1.25% p.a. (2023: 1.25% p.a.), with weight parameters of 15% (2023: 25%). 80% of members are assumed to take the maximum tax free cash possible (2023: 80% of members are assumed to take the maximum tax free possible).

The assumptions result in life expectancies as follows:

	31.12.24 Years	31.12.23 Years
Male aged 45	22.8	22.7
Male aged 65	21.5	21.5
Female aged 45	25.6	25.6
Female aged 65	24.1	24.2

Current asset split:	Bid values as at 31 Dec 2024 £'000.
Liability Driven Investments	32,742
Corporate Bonds	7,051
Cash	(182)
Annuities	32
Total assets	**39,643**

Balance sheet	2024 £'000	2023 £'000.
Fair value of plan assets	39,643	42,481
Present value of funded obligations	(36,656)	(40,183)
Surplus /(deficit) in scheme	**2,987**	**2,298**
Effect of asset ceiling	(2,987)	(2,298)
Net defined benefit asset /(liability)	**-**	**-**

*Restated Net defined benefit asset /(liability) has been corrected.

Amount recognised in SOFA	2024 £'000	2023 £'000
Current service cost	-	(200)
Administration costs	(882)	-
Interest on liabilities	(1,765)	(1,790)
Interest on assets	1,860	1,858
Interest on effect of asset ceiling	(103)	(61)
Total (charge) /gain to SOFA	**(890)**	**(193)**

Remeasurements over the period	2024 £'000	2023 £'000
Gains /(losses) on assets in excess of interest	(2,378)	1,947
Experience gains /(losses) on liabilities	(303)	(596)
Gains /(losses) from changes to demographic assumptions	(32)	110
Gains /(losses) from changes to financial assumptions	3,689	(834)
Gains /(losses) from change in effect of asset ceiling	(586)	(934)
Total remeasurements	**390**	**(307)**

Change in the value of assets	2024 £'000	2023 £'000
Fair value of assets at start of period	**42,481**	**40,370**
Interest on assets	1,860	1,858
Company contributions	500	500
Benefits paid (including expenses)	(1,938)	(2,194)
Administration costs	(882)	-
Return on assets less interest	(2,378)	1,947
Fair value of assets at end of period	**39,643**	**42,481**
Actual return on assets	**(518)**	**3,805**

Change in value of the Defined Benefit liabilities	2024 £'000	2023 £'000
Value of liabilities at start of period	**(40,183)**	**(39,067)**
Current service cost	-	(200)
Interest on liabilities	(1,765)	(1,790)
Benefits paid (including expenses)	1,938	2,194
Experience (loss) on liabilities	(303)	(596)
Changes to demographic assumptions	(32)	110
Changes to financial assumptions	3,689	(834)
Value of liabilities at end of period	**(36,656)**	**(40,183)**

Reconciliation of effect of asset ceiling	2024 £'000	2023 £'000
Effect of asset ceiling at start of period	**(2,298)**	**(1,303)**
Interest on effect of asset ceiling	(103)	(61)
Actuarial gains /(losses) on effect of asset ceiling	(586)	(934)
Effect of asset ceiling at end of period	**(2,987)**	**(2,298)**

Sensitivity of the value placed on the liabilities	Approximate effect on liability £'000
Discount rate -0.5% p.a.	+ 2,182
Inflation +0.5% p.a.	+ 949
Long term rate of mortaility improvement increased to 1.5% p.a.	+ 212

Projected SOFA charge for next period as at 31 Dec 2025	2025 £'000
Administration costs	(882)
Interest on liabilities	(1,928)
Interest on assets	2,079
Interest on effect of asset ceiling	(161)
Total charge to SOFA	**(892)**

The Institution expected to pay contributions of £500,000 in the year to 31 December 2025, however, following the buy-in in July, this amount will be £292k.

11. Fixed Assets - Intangible Assets

Group	Goodwill	Website and DM costs £'000	Total £'000
Cost			
At 1 January 2024	5,232	7,349	12,581
Additions	-	549	549
Disposals, movements	-	(502)	(502)
At 31 December 2024	5,232	7,396	12,628
Depreciation			
At 1 January 2024	5,232	4,264	9,496
Amortisation charged	-	1,231	1,231
Disposals, movements	-	(317)	(317)
At 31 December 2024	5,232	5,178	10,410
Net Book Value			
At 31 December 2024	-	2,218	2,218
At 1 January 2024	-	3,085	3,085

Institution	Website and DT costs £'000	Total £'000
Cost		
At 1 January 2024	6,784	6,784
Additions	541	541
At 31 December 2024	7,325	7,325
Depreciation		
At 1 January 2024	3,982	3,982
Amortisation charged	1,167	1,167
Impairment	-	-
At 31 December 2024	5,149	5,149
Net Book Value		
At 31 December 2024	2,176	2,176
At 1 January 2024	2,802	2,802

Website and digital modernisation programme, platform costs

The intangible assets for the Institution is represented by Website and Digital Modernisation (DM) costs. The website development was completed in March 2016 and begun being amortised from April. The DM projects started to come into use during 2019 although there are significant amounts still in development. Both website and DM costs were purchased and developed by the Institution.

12. Fixed Assets - Tangible Assets

Group	Land and Property £'000	Furniture and Equipment £'000	Total £'000
Cost			
At 1 January 2024	10,883	2,785	13,668
Additions	–	85	85
Transfer to Investment Property	(3,565)	–	(3,565)
Disposals, movements	–	(1,045)	(1,045)
At 31 December 2024	7,318	1,825	9,143
Depreciation			
At 1 January 2024	5,890	2,113	8,003
Transfer to Investment Property	(1,087)	–	(1,087)
Disposals, movements	–	(835)	(835)
Amount charged	238	207	445
At 31 December 2024	5,041	1,485	6,526
Net Book Value			
At 31 December 2024	2,277	340	2,617
At 1 January 2024	**4,993**	**672**	**5,665**

Institution	Land and Property £'000	Furniture and Equipment £'000	Total £'000
Cost			
At 1 January 2024	10,426	1,426	11,852
Additions	–	74	74
Transfer to Investment Property	(3,565)	–	(3,565)
At 31 December 2024	6,861	1,500	8,361
Depreciation			
At 1 January 2024	5,713	1,095	6,808
Transfer to Investment Property	(1,087)	–	(1,087)
Amount charged	187	134	321
At 31 December 2024	4,813	1,229	6,042
Net Book Value			
At 31 December 2024	2,048	271	2,319
At 1 January 2024	**4,713**	**331**	**5,044**

The Institution's head office at One Birdcage Walk is included in Land and Property above at its depreciated historical cost. The Trustees believe that its open market value is significantly in excess of this historical cost based on carrying value.

The Institution owns the freehold of One Birdcage Walk and its head office. Whilst part of the building is let out to third parties, the entire property is accounted for within tangible fixed assets at cost less depreciation as the fair value of the investment property component cannot be reliably measured without undue cost or effort.

13. Fixed Assets - Investment Property

Group and Institution	Investment Property £'000	Total £'000
At 1 January 2024	-	-
Transfer from freehold property	3,565	3,565
Transfer of depreciation	(1,086)	(1,086)
Revaluation	(1,329)	(1,329)
At 31 December 2024	**1,150**	**1,150**

During the year, the Institution reclassified its property at Europa View, Sheffield, from freehold property to investment property, in accordance with the applicable reporting framework, as the property is now held to generate rental income for the Institution. The property has been included in the financial statements at a valuation of £1,150,000 which is considered by the Trustees to be its fair value at the balance sheet date. The valuation is based on the results of a marketing report conducted on 30 January 2025 by Knight Frank LLP, a recognised firm of valuers who are independent of the Institution.

Heritage assets

The Institution holds a collection of heritage assets relating to the history of the Institution itself and the wider history of mechanical engineering, which includes printed works, pictures, and other artefacts. All these items have been donated to the Institution some time ago and so information on their cost or valuation is not available and cannot be obtained at a cost commensurate with the benefit to the users of the accounts and the Charity.

The collection is broadly split into the following categories:

Printed works

The Institution has one of the strongest specialist engineering libraries in the UK, holding unparalleled physical collections relating to mechanical engineering and comprising over 90,000 titles. These range from very early works such as Theatrum instrumentorum et machinarum, published in 1578, to extensive scarce nineteenth and early twentieth century works to current reference works and British Standards. Subjects covered include fluid mechanics, tribology, combustion engines, automotive engineering, environment and emissions, risk and reliability, energy, machine tools and pressure vessels.

Archives

The archive collection dates from 1726 and is comprised of documents, volumes, engineering drawings, digital files and an extensive photographic collection relating to engineers, engineering firms and engineering products. The collection also includes the business and administrative records of the Institution of Mechanical Engineers as well as the Institution of Locomotive Engineers and the Institution of Automobile Engineers.

Works of art and artefacts

The collection is comprised of over 50 portraits and busts of prominent engineers including many former Presidents of the Institution and over 100 artefacts including models, instruments and personal items of engineers.

The Institution's collections are managed by the Information and Library Service according to the relevant professional standards for each format of material. Expenditure, which in the Trustees' view is required to preserve or clearly prevent deterioration of individual collection items, is recognised in the income and expenditure account when it is incurred.

There have been nil donations made in 2024 (2023: nil). No further additions or disposals of heritage assets were made in the last three years.

14. Investments-Mixed Motive

	2024		2023	
Group and Institution	Cost £'000	Market Value £'000	Cost £'000	Market Value £'000
Analysis of Investments - UK				
Stephenson LLP	1,928	2,377	1,915	2,602
	1,928	**2,377**	**1,915**	**2,602**

Movement of Investments	2024 £'000	2023 £'000
Market value at 1 January	2,602	3,082
Acquisitions	13	36
Net investment (loss)	(238)	(516)
Market Value at 31 December	2,377	2,602
Unrealised investment gain at 31 December	**439**	**677**

15. Fixed Assets - Investments

	2024		2023	
Group	Cost £'000	Market Value £'000	Cost £'000	Market Value £'000
Analysis of Investments - UK				
Fixed Interest Unit Trusts	-	-	170	483
Equities Unit Trusts	-	-	1,257	6,442
Charities Official Inv. Fund Income Units	1,066	3,456	1,067	3,380
Cash	-	59	44	44
Property - let on 999 year lease	9	9	9	9
	1,075	3,524	2,547	10,358
Multi-Asset Funds - Not Listed	14,418	16,073	7,801	8,327
Total Investments	15,493	19,597	10,348	18,685

Analysis of Funds and Ranges	2024 Cost £'000	2024 Market Value £'000	2023 Cost £'000	2023 Market Value £'000
Reserve Fund - Unrestricted				
Free range	2,981	3,423	3,024	3,152
	2,981	3,423	3,024	3,152
Whitworth Scholarships Fund				
Restricted	2,435	2,598	765	2,731
Endowment	4,182	4,432	662	4,194
	6,617	7,030	1,427	6,925
General Trust				
Wider range	3,365	4,002	3,373	3,678
	3,365	4,002	3,373	3,678
James Clayton				
Wider range	1,455	1,677	1,449	1,542
Special - property	9	9	9	9
	1,464	1,686	1,458	1,551
Education & Research				
Charities Official Inv. Fund Income Units	829	2,661	829	2,602
Sundry Small Trusts				
Charities Official Inv. Fund Income Units	237	795	237	777
	15,493	**19,597**	**10,348**	**18,685**

The above figures refer to investments held by the Group, the figures for the Institution exclude the investments held by the Whitworth Scholarships Fund.

The investments of the Reserve Fund, General Trust, James Clayton Trust and Whitworth Scholarships Fund are managed by Schroder & Co Limited. The let property is part of the James Clayton Trust Fund and was included as part of assets left to the Institution in the Will of the late James Clayton. General Trust and Whitworth Funds are expendable endowments not permanent endowments.A summary of the investment powers can be found in the Administrative Details section.

The carrying value of investments in subsidiaries amounted to £2.

Movement of Investments	2024 £'000	2023 £'000
Market value at 1 January	18,641	18,114
Sales proceeds	(296)	(210)
Net investment gain /(loss)	1,193	737
Market value (excluding cash) at 31 December	19,538	18,641
Cash awaiting investment	59	44
Total market value at 31 December	19,597	18,685
Historic cost at 31 December	(15,493)	(10,348)
Unrealised investment gain at 31 December	**4,104**	**8,337**

Interest and Dividends	2024 £'000	2023 £'000
Dividends receivable from unit trusts	374	699
Bank interest - general funds	125	96
	499	**795**

All the dividend and loan stock interest arises from the investments detailed above.

16. Stocks

	Group 2024 £'000	Group 2023 £'000	Institution 2024 £'000	Institution 2023 £'000
Work in progress	108	51	-	-
Finished goods and goods for resale	105	176	6	11
	213	**227**	**6**	**11**

17. Debtors

Amounts due within 1 year:	Group 2024 £'000	Group 2023 £'000	Institution 2024 £'000	Institution 2023 £'000
Trade debtors	1,676	2,428	503	666
Other debtors incl. VAT, other taxes	458	213	313	203
Prepayments and accrued income	899	1,202	761	912
Amounts due from group companies	-	-	1,120	1,166
	3,033	**3,843**	**2,697**	**2,947**
Amounts due after more than 1 year:				
Other debtors incl VAT, other taxes	354	-	-	-
Loans due from group companies	-	-	5,121	4,279
	3,387	**3,843**	**7,818**	**7,226**

Loans from group companies are charged interest at a rate of 2% above the National Westminster Bank base rate.

A loan of £5.1M was provided to Professional Engineering Projects Limited to permanently fund the acquisitions of the trading companies acquired between 2011 and 2015. It is repayable on 53 weeks' notice or by any net proceeds of the sale of the acquired companies.

As a result of recent legal advice sought in 2023, the trustees have concluded that a decision made in 2022, to write-off a debt of £843k owed to IMechE by IMechE's trading subsidiary Professional Engineering Projects Limited ('PEP Limited'), was incorrect. This has been reported to the Charity Commission in the usual way for such instances, and the Charity Commission has confirmed support for the decision-making process. Based on professional advice the loan has been reinstated following the issuance of a new loan agreement in 2024 accounts and now restores the Charity's financial position, including interest to that same state as it would have been had the write-off never taken place.

18. Creditors - Amounts falling due within one year

	Group		Institution	
	2024 £'000	**2023** £'000	**2024** £'000	**2023** £'000
Trade creditors	1,472	1,045	947	698
Other creditors	177	192	169	178
Amounts due to group companies	-	-	-	389
Accruals	1,260	1,229	899	716
Grants payable	47	45	-	-
Bank loan	10	20	-	-
Taxation and social security	642	614	437	554
	3,608	3,145	2,452	2,535
Deferred income	4,829	5,341	4,501	4,694
Total creditors	**8,437**	**8,486**	**6,953**	**7,229**

Deferred income represents the value of membership subscriptions, property rents, and event income received in respect of the next calendar year.

	Group		Institution	
Reconciliation of deferred income:	**2024** £'000	**2023** £'000	**2024** £'000	**2023** £'000
Balance at 1 January	5,341	4,519	4,694	4,137
Amount released to income	(5,253)	(4,806)	(4,606)	(4,264)
Amount deferred in the year	4,741	5,628	4,413	4,821
Balance at 31 December	**4,829**	**5,341**	**4,501**	**4,694**

19. Creditors - Amounts falling due greater than one year

	Group		Institution	
	2024 £'000	**2023** £'000	**2024** £'000	**2023** £'000
Bank loan - UK Bounce Back	11	43	-	-

The bank loans were issued under the COVID-19 'Bounce-back' scheme in January 2021 to two IMechE's subsidiaries, Professional Engineering Projects Limited and Sonaspection International Limited. No interest charges or repayments were due for the first 12 months. The loans bears interest at 2.5% and was repayable over a five year period. The Sonaspection International Ltd loan has been fully repaid in 2024.

20. Operating lease commitment

The operating lease charges represent leasehold leases from third. One of the leases is negotiated over terms of 10 years with fixed rentals for two years and includes a provision for five-yearly upward rent reviews according to prevailing market conditions. The last rent review took place in 2024. The second lease is for a period of twelve months, expiring in August 2025. Total lease payment in the year was £74,810 (2023: £111,226).

As detailed in Note 28. Post Balance Sheet Event, in February 2025, Sonaspection International Limited left the IMechE Group. Following the company's divestment, the Group is no longer committed to the operating lease on the property at Westgate, Lancashire. Lease payments in respect of this lease are included in the total lease commitment and the split of these is as follows: within one year - £76k, between one and five years - £268k.

In the preparation of these financial statements, it was identified that the comparative information included an error, such that the disclosure of operating lease commitments between one and five years was stated as £494k. The correction of this error has been made by restating the comparative financial information below.

As at the year end, the total of future minimum lease payments under non-cancellable operating leases for each of the following periods is:

Movement of Investments	**2024** £'000	**2023** (restated) £'000
Within one year	86	111
Between one and five years	268	457
Over five years	-	152
	354	**720**

21. Grant commitments

These sums have been provisionally approved as grants to be made to current scholars for completion of their studies. Because the Trustees have further actions to take on them before releasing for payment, they have not been accrued in this year's accounts. No discounting has been applied to grant commitments due in more than one year.

	Group		Institution	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Scholarship commitments due within one year	415	204	62	38
Scholarship commitments due after one year	809	242	121	8
Total scholarship commitments	**1,224**	**446**	**183**	**46**

22. Analysis of group net assets between funds

2024 Group Fund balances at 31 December 2024 are represented by:	Unrestricted £'000	Endowment £'000	Restricted £'000	2024 Total £'000
Intangible fixed assets	2,218	-	-	2,218
Tangible fixed assets	2,617	-	-	2,617
Investment property	1,150	-	-	1,150
Investments: listed	3,423	12,721	3,453	19,597
Investments: social	2,377	-	-	2,377
Current assets and liabilities	5,830	(777)	205	5,258
Non-current liabilities	(11)	-	-	(11)
Total	**17,604**	**11,944**	**3.658**	**33,206**

2023 Group Fund balances at 31 December 2023 are represented by:	Unrestricted £'000	Endowment £'000	Restricted £'000	2023 Total £'000
Intangible fixed assets	3,085	-	-	3,085
Tangible fixed assets	5,665	-	-	5,665
Investments: listed	3,152	12,794	2,739	18,685
Investments: social	2,602	-	-	2,602
Current assets and liabilities	5,200	(1,607)	977	4,570
Non-current liabilities	(43)	-	-	(43)
Total	**19,661**	**11,187**	**3,716**	**34,564**

2024 Institution Fund balances at 31 December 2024 are represented by:	Unrestricted £'000	Endowment £'000	Restricted £'000	2024 Total £'000
Intangible fixed assets	2,176	-	-	2,176
Tangible fixed assets	2,319	-	-	2,319
Investment property	1,150	-	-	1,150
Investments: listed	3,423	8,289	855	12,567
Investments: social	2,377	-	-	2,377
Current assets and liabilities	9,958	(781)	-	9,177
Total	**21,403**	**7,508**	**855**	**29,766**

2023 Institution Fund balances at 31 December 2023 are represented by:	Unrestricted £'000	Endowment £'000	Restricted £'000	2023 Total £'000
Intangible fixed assets	2,802	-	-	2,802
Tangible fixed assets	5,044	-	-	5,044
Investments: listed	3,152	8,600	8	11,760
Investments: social	2,602	-	-	2,602
Current assets and liabilities	8,969	(1,607)	919	8,281
Total	**22,569**	**6,993**	**927**	**30,489**

23. Capital and Income Funds – Analysis

Group	Notes	Balance 01.01.2024 £'000	Incoming Resources £'000	Resources Expended £'000	Gains & (Losses) £'000	Corporation Tax £'000	Transfers/ Adjustment £'000	Balance 31.12.2024 £'000
Unrestricted Funds								
Institution, Reserve Fund & PEP Ltd		19,661	31,179	(31,639)	431	-	-	19,632
Gain/ loss on sale of subsidiary		-	-	-	(560)	-	-	(560)
Loss on revaluation of investment property		-	-	-	(1,329)	-	-	(1,329)
Non trading corporation tax		-	-	-	-	(139)	-	(139)
Total Unrestricted Funds		19,661	31,179	(31,639)	(1,458)	(139)	-	17,604
Restricted Funds								
Whitworth Scholarships Fund		2,788	235	(379)	158	-	-	2,802
General Trust (includes legacy)		83	161	(273)	1	-	28	-
James Clayton Trust		121	67	(19)	-	-	-	169
Trust for Education & Research		402	-	(31)	-	-	-	371
Clive Hickman Fund		22	8	-	-	-	-	30
Sundry small trusts		300	1	(15)	-	-	-	286
Grants		-	267	(267)	-	-	-	-
Total Restricted Funds		3,716	739	(984)	159	-	28	3,658
Endowment Funds								
Whitworth Scholarship's Fund		4,194	-	-	242	-	-	4,436
General Trust		2,596	-	-	328	-	(28)	2,896
James Clayton Trust		1,480	-	-	138	-	-	1,618
Trust for Education & Research		2,335	-	-	59	-	-	2,394
Sundry small trusts		582	-	-	18	-	-	600
Total Endowment Funds		11,187	-	-	785	-	(28)	11,944
Total Funds		**34,564**	**31,918**	**(32,623)**	**(514)**	**(139)**	**-**	**33,206**

Institution	Notes	Balance 01.01.2024 £'000	Incoming Resources £'000	Resources Expended £'000	Gains & (Losses) £'000	Corporation Tax £'000	Transfers/ Adjustment £'000	Balance 31.12.2024 £'000
Unrestricted Funds								
Institution, Reserve Fund		22,568	21,011	(22,121)	431	-	-	21,889
Restatement of FY22 loan write off	17	-	-	-	-	-	843	843
Loss on revaluation of investment property	12	-	-	-	(1,329)	-	-	(1,329)
Total Unrestricted Funds		22,568	21,011	(22,121)	(898)	-	843	21,403
Restricted Funds								
General Trust (includes legacy)		83	161	(273)	1	-	28	-
James Clayton Trust		121	67	(19)	-	-	-	169
Trust for Education & Research		402	-	(31)	-	-	-	371
Clive Hickman Fund		22	8	–	-	-	-	30
Sundry small trusts		299	1	(15)	-	-	-	285
Grants		-	267	(267)	-	-	-	-
Total Restricted Funds		927	504	(605)	1	-	28	855
Endowment Funds								
General Trust		2,596	-	-	328	-	(28)	2,896
James Clayton Trust		1,480	-	-	138	-	-	1,618
Trust for Education & Research		2,335	-	-	59	-	-	2,394
Sundry small trusts		582	-	-	18	-	-	600
Total Endowment Funds		6,993	-	-	543	-	(28)	7,508
Total Funds		**30,488**	**21,515**	**(22,726)**	**(354)**	**-**	**843**	**29,766**

All funds are restricted to promoting education in all Engineering disciplines through the award of scholarships, prizes and awards to suitable qualified applicants.

General Trust

The purposes of the General Trust have been widely drawn to allow the Trustee Board flexibility in using the trust's resources. Currently, funds are used almost exclusively for prizes and awards in the field of mechanical engineering.

James Clayton Trust Fund

The James Clayton Fund is a linked charity 206882-21. The purpose of the trust is to provide various prizes and awards in the field of mechanical engineering. The income to be distributed annually on research, investigation, and the encouragement of modern mechanical engineering science.

Trust for Education and Research

The purpose of the trust is to provide various prizes and awards for education and research in the field of mechanical engineering. The Trust Deed does not grant specific investment powers.

Bruce Ball National Certificate Prize Fund

The Bruce Ball National Certificate Prize Fund is a linked charity 206882-5. The purpose of this fund is for the provision of an annual prize to student in Scotland showing outstanding industry and merit in part-time courses leading up to the award of both
O and H.N.C in Mechanical Engineering. The Trust Deed provides no investment powers beyond those granted by Trust Law.

C C Pounder National Certificate Prize Fund

The C C Pounder National Certificate Prize Fund is a linked charity 206882-6. The purpose is to award a prize annually to a student deemed to have shown outstanding industry and merit in part-time courses leading to the award in Mechanical Engineering in Northen Ireland of both certificates in M.E. The Trust Deed provides no investment powers beyond those granted by Trust Law.

Tribology Award Fund

The Tribology Award Fund is a linked charity 206882-38. This Trust was established to award annually a gold medal for outstanding achievement in the field of tribology.
The Trust Deed provides unrestricted investment powers.

James Watt International Medal Fund

The James Watt International Medal Fund is a linked charity 206882-42. The purpose of the fund is to award biennially a gold medal for outstanding achievement in the advancement of the science of mechanical engineering. The Trust Deed provides investment powers identical to those available in the Institution By-Laws.

Spencer Wilks Trust

The Spencer Wilks Trust is a linked charity 206882-39. The purpose of the trust is to promote, advance, assist, or encourage the study of and technical education in, the engineering aspects of transportation. The Trust Deed provides unrestricted investment powers.

Research and Development Trust Fund

The Research and Development Trust Fund is a linked charity 206882-43. This Trust was established to promote and support research and development in the field of mechanical engineering. The Trust Deed provides unrestricted investment powers.

Clive Hickman Fund

The purpose of the fund is to provide young people under the age of 30 funding apprenticeships, scholarships, maintenance allowances or grants including business start-up grants. The Trust Deed does not grant specific investment powers.

Grants

The purpose of the grant is for Formula students to build an Autonomous Vehicle. The Grant fund is made pursuant to section 8 of Industrial Development Act 1982.

Notes to the accounts for the year end (continued)

24. Trust and Prize Fund Individual Accounts

General Trust

Benefactors comprise:

James Bates
Horace Bedford
Charles Sharpe Beecher
William Bennett
Joseph Bramah
T H Carr
Thomas Andrew Common
Gresham Cooke
Winifred Smart Crabtree
George Curry
Bernard Incledon Day
Bryan Conkin
H V Disney
A H Duncan
Christian Peter Dunkel
John Edward Elliott
James Moir Forbes
Sir Hugh Ford
Winifred Foreman
Andrew Fraser
Thomas Lowe Gray
Donald Julias Groen
Thomas Bernard Hall
Herbert Edward Hancocke
Francis Hewlett
Lord Hinton of Bankside
Shirley Nelson Howe
Robert Herbert Innes
Kenneth Harris James
Anne Labrow
Olive Mary Main
Ernest William Moss
The Reactionaries
Charles Howard Readman
William Sweet Smith
A M Strickland
Clifford S Steadman
Thomas Stephen
Thatcher Bros.
Fredrick Barnes Waldron
Edwin Walker
Neil Watson
Viscount Weir
Frau May Borner Wylie

Trust for Education and Research

Benfactors and predecessor Trusts comprise

John F Alcock Memorial Prize
Carl Louis Breedon
Henry Stacey Cattermole
Engineering Applied to Agriculture
Filtration
M M Flatman
Thomas Hawksley
Hele-Shaw National Certificate
Mrs P M Lowery
Manville Bequest Scholarship
E May
Ludwig Mond
F G Moore
Arthur Morley Higher National Diploma
John Player Lectureship
Raymond Coleman Prescott Scholarship
William Alexander Agnew Meritorious
Alastair Graham-Bryce
Frank Radcliffe
Alfred Rosling Bennett Premium
Clarence Noel Goodall
Charles S Lake
Rover Midlander
T A Stewart Dyer
Fredrick Harvey Trevithick
Sir Seymour Briscoe Tritton
Stanley Herbert Whitelegg
Safety Award in Mech. Engineering
Starley Premium
George Stephenson Research
Herbert Ackroyd Stuart
The Students Aid
Water Arbitration
Willans Premium
L Marson
Margaret Winifred Astridge

The above trust funds are under the trusteeship of the Institution of Mechanical Engineers. Because of the limited space available, the information presented is, of necessity, brief. If you would like more details, please contact the Secretary to the Trustee Board Awards Committee.

25. Related Party Transactions

	2024 £'000	2023 £'000
Amounts due from Professional Engineering Projects Limited	1,027	168
Amounts due from IMechE Services Limited	-	18
Amounts due from Sonaspection International Limited	122	12
Amounts due from Sonaspection Incorporated	29	15
Amounts due from/to IMechE Fife NDT Limited	-	571
Loan due from Professional Engineering Projects Limited	5,121	4,279

All amounts are considered to be repayable on demand during the year except the loan which has a 53 week notice period of repayment.

Professional Engineering Projects Limited	2024 £'000	2023 £'000
Amounts due from/to Siantonas Ball Limited	-	(223)
Amounts due from/to IMechE Fife NDT Limited	-	(218)
Amounts due from Sonaspection International Limited	28	(69)
Amounts due from Sonaspection Incorporated	28	26
Transactions with IMechE Fife NTD Limited	-	63
Transactions with Sonaspection International Limited	-	13

Dr Clive Hickman, appointed as Trustee on 25 May 2022, is the Chairman at The Manufacturing Technology Centre Limited and its subsidiary, MTC Operations Limited. In 2024, the Institution and its subsidiaries paid the MTC Group £121,141 (2023: £32,684) for event attendance, and catering and venue hire services. The Institution and its subsidiaries charged the MTC Group Nil (2023: nil) for event attendance, accreditation fees, and standard samples. At 31 December 2024, the balance receivable was Nil (2023: nil) and the balance payable was Nil (2023: nil). Dr Clive Hickman made a donation of £7,500 (2023: £22,125).

Neil Kelly is a Director of Sonaspection International Limited appointed on 29 June 2020, whose close related family member is the owner of Kelly Contracting. Kelly Contracting provides electrical material and labour and has been providing a service for a number of years. Kelly Contracting charged £3,192 during the year to 31 December 2024 (2023: £889). Kelly Contracting has a balance payable as at 31 December 2024 of Nil (2023: nil).

26. Reconciliation of net income to net cash flow from operating activities

	2024 £'000	2023 £'000
Net (expenditure) /income for the reporting period (as per the statement of financial activities)	(1,748)	1,417
Adjustments for:		
(Gain)/Loss on disposal of tangible assets	(877)	(14)
(Gain)/Loss on disposal of intangible assets	185	-
Amortisation	1,231	1,141
Depreciation charges	445	571
Dividends and interest	(499)	(795)
(Increase)/decrease in debtors	456	(450)
Increase/(decrease) in creditors excluding loans	(40)	301
(Increase)/decrease in stocks	14	(36)
Revaluation loss Sheffield	1,329	-
W/off investment of sub -SIA	223	-
IAR/Fife interco bal adj	669	-
(Gain)/losses on investments	(985)	(234)
Net cash provided by operating activities before pension scheme costs	403	1,901
(Increase) /decrease in Defined benefit pension scheme costs	390	(307)
Net cash provided by operating activities	**793**	**1,594**

27. Financial Instruments

	Group		Institution	
Amounts due within 1 year:	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Financial assets measured at amortised cost	11,981	11,709	8,927	9,031
Financial liabilities measured at amortised cost	2,929	2,530	2,011	1,590
Financial assets measured at fair value	21,974	21,287	14,944	14,362

28. Consolidated Statement of Financial Activities

Income and Endowments from:	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2023 Total £'000	2022 Total £'000
Donations and Legacies	-	22	-	22	21
Charitable activities					
Membership subscriptions	13,739	-	-	13,739	12,706
Groups, Divisions & Events	2,114	-	-	2,114	1,621
Professional development & Membership	198	-	-	198	211
Information & Library services	5	-	-	5	4
Apprentice End Point Assessment	2,805	-	-	2,805	2,243
Other trading activities					
Venue hire, Training, Exam Services, Consultancy, Flawed Samples	10,076	-	-	10,076	9,826
Marketing, advertising and merchandise	29	-	-	29	7
Investments					
Interest & Dividends	226	569	-	795	701
Other					
Other income	26	-	-	26	4
Rents Receivable	439	-	-	439	524
Total	**29,657**	**591**	**-**	**30,248**	27,868
Expenditure on:					
Raising funds					
Non-charitable trading activities	9,985	-	-	9,985	10,502
Investment management costs	6	9	-	15	16
Charitable activities					
Groups, Divisions & Events	5,569	-	-	5,569	5,236
Marketing	2,400	-	-	2,400	2,182
Membership Development	2,344	-	-	2,344	2,148
Apprentice End Point Assessment	2,930	-	-	2,930	2,178
Professional development	1,071	-	-	1,071	914
Information& Library Services	875	-	-	875	804
Membership Subscriptions	2,888	-	-	2,888	2,617
Tenants & Public Facilities	536	-	-	536	495
Prizes, Awards and Scholarships	-	452	-	452	589
Total	**28,604**	**461**	**-**	**29,065**	**27,681**
Net Gains /(losses) on investment assets	(473)	138	569	234	(1,582)
Net income/(expenditure)	580	268	569	1,417	(1,395)
Transfer between funds	(10)	10	-	-	-
Net income/(expenditure) after transfers	570	278	569	1,417	(1,395)
Other recognised gains /(losses)					
Actuarial gains /(losses) on defined benefit pension scheme	(307)	-	-	(307)	(301)
Net movement in funds	263	278	569	1,110	(1,696)
Reconciliation of funds					
Total funds brought forward	19,398	3,438	10,618	33,454	35,150
Total funds carried forward	**19,661**	**3,716**	**11,187**	**34,564**	**33,454**

29. Post Balance Sheet Event

On 28 February 2025, the Charity's direct subsidiary, Professional Engineering Projects Limited (Company no. 01103638), sold its subsidiary companies; Sonaspection International Limited (Company no. 02050101), Sonaspection Worldwide Limited (Company no. 04891363), and Sonaspection Incorporated, a company registered in the US, for consideration of £1.478m. Following the sale, these companies are no longer part of the IMechE Group.

Trustees have committed to a loan to the defined benefit pension scheme of up to £3.4m to enable a buy-in of the scheme by PIC (Pension Insurance Company) to significantly derisk IMechE's exposure to this scheme. The buy-in is the forerunner of the full buy-out of this scheme, which is expected to happen in 2027; the cost of which is also within the £3.4m maximum loan amount. As a result, the annual payment of £500k to the pension scheme for top up and fees will stop from August 2025 onwards. It is also important to note that whilst this is set up as a loan, the working assumption is that this loan will not be recovered, though it is typically set up as such to avoid any trapped funds within the pension scheme at wind down, in the event there are surplus funds. A payment of £2.1m was paid for this in July 2025, with funds up to the balance due at the time of buy-out in two years' time.

30. Contingent Asset

At the balance sheet date, the Institution was notified of a residuary legacy with an estimated value of £162,000. In accordance with the Charity SORP (FRS102), the legacy has not been included in the Statement of Financial Activities or Balance Sheet as it has not met the income recognition criteria regarding reliable measurement. It is however being disclosed as a contingent asset since the reliable measurement of the value of this legacy is not entirely under the IMechE's control.

Institution of
Mechanical Engineers

One Birdcage Walk
London
SW1H 9JJ

imeche.org

THE INSTITUTION OF MECHANICAL ENGINEERS

England & Wales - Charity number 206882

Accounts

TRUSTEE BOARD'S REPORT AND ANNUAL ACCOUNTS.

Institution of MECHANICAL ENGINEERS

Year Ended 31 December 2023



Improving the world through engineering

The Institution of Mechanical Engineers
Incorporated by Royal Charter 1930
Registered Charity in England & Wales No: 206882
Office of the Scottish Charity Regulator No: SC051227

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Giles Hartill
CEng FIMechE
138th President of the Institution of Mechanical Engineers
25 May 2023 to 23 May 2024

President's statement

A close colleague recently said that one's long-term involvement in a programme is only transitory, and we are merely stewards for the next generation; striving to leave it, as a minimum, in a better state than they found it. As I reflect on not just 2023, but on my continuous 20-year voluntary service, and particularly the last six years on the Trustee Board, I find these sentiments to also be very true for IMechE.

Having a clear strategy is core to any organisation's success. So, for us, 2023 was a momentous year - the dawn of a new beginning as we launched our new IMechE Strategy 2030. We laid out what we aspire to achieve, how we intend to succeed and, most importantly, why. It is our vision of how to transform IMechE into a "global, inclusive and digitally enabled engineering community" to deliver our mission of "improving the world through engineering".

By 'improving', we mean continuously enhancing the sustainability, safety, performance and reliability of the world we engineer. By 'world', we mean the planet and all its inhabitants, extending beyond humanity to benefit all living things. By 'engineering', we embrace its broadest sense, recognising it as multidisciplinary rather than solely mechanical as we have known for many decades.

We aspire to be truly global, not just a UK-based charity with international members, and will do this through developing international partnerships, building communities of technicians and engineers worldwide who can move easily to work through reciprocal recognition of standards and accreditation.

Our vision is underpinned by our culture and defined by four values – Inclusion, Integrity, Innovation, and Impact. We are committed to creating a culture where every member and employee knows they belong, feels valued and can thrive, working in close partnership. We want to ensure IMechE, and the wider engineering profession, is welcoming to all people with the right skills and knowledge, regardless of their background.

Technicians and engineers are pivotal in finding solutions to today's major challenges, as we urgently transition to a low carbon economy, and there is much to be gained from skills transfer across different sectors. Solving these challenges requires a diverse blend of individuals to give rise to the innovation that we all need to see. There is huge opportunity within both our existing and untapped talent pools, especially given the increased frequency of reskilling required due to rapid technological advancements. This is as important as inspiring the next generation to pursue careers in engineering.

And if we are to succeed, we must embrace a 'Digital First' approach. Our journey towards creating the capabilities necessary to deliver all our services in a digitally enabled way, aligning with our global aspirations, is well underway. We are in the development phase for many projects, with new services already being rolled out.

We now have two very clear strategic goals that define our purpose: the first is to "develop, register, and support our members and the wider engineering community to be their best to achieve a more inclusive and sustainable world". This is about ensuring we focus not only on acquiring new members and helping them become professionally registered, but also on supporting them and the community throughout their whole lives.

Our second goal is to "maximise the impact of our community to promote engineering, inform opinion and stimulate innovation for the benefit of society". If the first goal is about helping individuals to be great technicians or engineers, then the second is about harnessing their expertise, skills and experience to improve the world through engineering.

It has been so exciting for me this year to see first-hand how our members and employees are working in close partnership across the globe, providing thought leadership, mentoring, support services and knowledge sharing. I have been blown away by the immense pride, passion, and enthusiasm I have observed, and for that I am eternally grateful; thank you. I genuinely believe we have improved IMechE, and I look forward to continuing to support our transformation as we continue to redefine what a Professional Engineering Institution is.

Technicians and engineers will change the world, like they have done ever since they existed. To our members all over the planet. There is one simple question to ask yourself: "What do I want to be?" We want you to be the best technician or engineer you can be, and we are here to help and support you.



Dr Alice Bunn OBE
CEng FIMechE FRAeS

Chief Executive's statement

The 2023 report allows us for the first time to track our progress in achieving our three key performance indicators around membership health, membership impact and our finances. Although we only have 2 years' worth of data, I'm delighted to report that we are trending in a positive direction across all three indicators—you can find out more on page 10. Of course, there is no time for complacency, whilst our financial position is improving we still have some way to go, not least to correct for a period of underinvestment in our estate. Similarly, we are disappointed that the election turnout remains low and will be working with the nominations committee to stimulate a greater engagement. We will also now work with our strategy committee to set hard targets against our performance indicators, rather than just tracking trends.

In line with the new strategy launched in 2023, we are reporting progress against our 2 strategic goals of (1) developing, registering, and supporting our members and the wider engineering community to be their best for a more inclusive and sustainable world, and (2) maximising the impact of our community to promote engineering, inform opinion, and stimulate innovation for the benefit of society, underpinned by our enablers and working throughout as one team with volunteers and staff.

Under our first goal, we were able to increase attendance at our technical and networking events by over 1000 members, and a new membership partnership programme was launched which exceeded its target of attracting 50 new partners in its first year. We have expanded our efforts to support apprentices and those offering apprentice placements, recognising that apprentices will form an important part of our overall engineering community in the future and in line with our value of inclusion. As an End Point Assessment Organisation (EPAO) we delivered 1,364 end point assessments working with 109 training providers, a huge increase of 50% over 2022, which was supported by our End Point Assessment Standards Committee. Early in 2024 we received Ofqual approval for us to award the new machining technician (level 3) pathway for apprentices, following recent changes in both the standard and the eligibility of providers. We were pleased to be able to solidify key partnerships in Singapore, Malaysia and the Philippines, linking to our vision of being global, inclusive and digitally enabled.

Our impact was keenly demonstrated in the response to our 'Adapting Industry to Withstand Rising Temperatures and Future Heatwaves' report; this timely report was picked up in the national media and briefed to the World Trade Organisation in Geneva, and continues to generate interest. We were honoured to be able to recognise our international heritage with awards in India, Australia and Malaysia. Members and staff continue to support the next generation of engineers through our outreach work, this year nearly 2,000 students participated in our work experience programme, and we partnered with the BBC to reach a further 112,500 students. We are delighted to announce that we will be partnering with the Centre for Connected and Autonomous Vehicles to fund the expansion of Formula Student - Artificial Intelligence as part of our ongoing commitment to support the development of skills in the automotive sector and wider engineering profession. Alongside this, our Education and Skills Strategy Board have been at the fore of providing advice to governments, working with the Royal Academy of Engineering and our partner engineering institutions, in particular on T-levels and future skills requirements.

2023 was a positive year for our finances with an increase of £1.2 million to our free reserves, underpinned by another impressive performance from our training company, IMechE Learning and Development. We are committed to continuing the necessary efforts to achieve financial sustainability for the Institution overall. Unfortunately, the increase was also bolstered by an underspend in our boards, committees, divisions and groups. During 2024 we will therefore increase work to ensure that funding for our volunteer communities is transparent and easy to access. Finally, I was humbled by the tremendous efforts of our young members launching their 'talking together' initiative on mental health. It would be hard to find a better example of us living our values of inclusivity, innovation, integrity and impact and I whole-heartedly commend their contribution to our Institution's culture.

Our strategy and future plans

In March 2023, the Trustee Board approved 'Our Strategy 2030'. During the year, a process of roll-out and engagement has resulted in a small number of presentational changes to improve clarity.

1.
Our mission

Improving the world through engineering

2.
Our values

Impact
We make a difference in what we do, taking accountability and ownership for meeting our commitments, and making things happen by succeeding together and excelling as individuals.

Integrity
We do the right thing for IMechE and for one another by being honest, truthful, and authentic, acting with integrity in every decision and action we take.



Innovation
We find better ways to get things done, innovating to solve problems, drive change, and move our mission forward by making tomorrow better than today.

Inclusion
We work together as one inclusive team, valuing and embracing diversity by communicating and sharing openly, listening actively to others, and celebrating our unique contributions.

3.

Our vision

A global, inclusive, and digitally enabled engineering community.

Our engineering community includes those involved in the engineering profession – not just the mechanical engineers who are IMechE members.

4.

Our strategic goals

Impact
Maximising the impact of our **community** to promote engineering, inform opinion, and stimulate innovation for the benefit of society.



Membership Development
Developing, registering, and supporting our **members** and the wider **engineering community** to be their best for a more inclusive and sustainable world.

5.
Our strategic enablers



The **Evaluation and Continuous Improvement** strategic enabler, shown in the 2022 annual report, has been subsumed as a core element within each of the strategic goals and enablers.

6.
Our structure

In alignment with our strategic objectives and 2030 vision, a reorganisation was implemented in 2023 to encapsulate four overarching capabilities that mirror the typical lifelong journey of an IMechE member:

Community
Enables access to a range of services such as events and networking opportunities through our divisions, groups, and regional/ international committees, fostering connections, collaboration and a sense of belonging.

Recognition
Welcomes members into the Institution, from students and apprentices to chartered fellows, facilitating their professional registration and integration into our community.

Impact
Empowers our community to contribute to society, whether through educational advice or broader policy recommendations to governments, embodying our commitment to making a positive difference.

Expertise
Provides services that meet the needs of organisations, business communities, and individuals within them, enhancing their professional development and success.



These capabilities and enablers are overseen by **the newly-formed IMechE Senior Leadership Team.**

By reorganising and connecting the various IMechE communities, staff teams, and engineering organisations, we aim to unlock new opportunities, deliver greater value to our members, and amplify the impact of our activities.

Key performance indicators

Membership health

Strategic Outcome	Performance Indicators	2023	
		Results	Change
Population We want to achieve sustainable growth in our professional registration membership	No. of voluntarily lapsed memberships	4,056	↓ **(8.0%)**
	No. of professional registrations	2,668	↑ **14.0%**
Satisfaction We want to have satisfied and engaged members	No. of active volunteer members	6,006	↑ **13.8%**
	No. of eligible members voting in elections	3,427	↓ **(12.5%)**
Diversity We want our membership to reflect the diversity of society	% of international membership	31.5%	↑ **1.3% pts**
	% of female membership	11.5%	↑ **0.4% pts**

Impact health

Strategic Outcome	Performance Indicators	2023	
		Results	Change
Learning We want to increase the amount of life-long learning we support	No. of days of learning events attended	16.6K	↑ **0.2%**
Influence We want to be a trusted point of reference for policymakers, industry, and current and future engineers	No. of key influencing events	40	↑ **167%**
	No. of IMechE policy report citations	5	↑ **150%***
Reach We want to increase our reach to extend the expertise of HQ and our members	No. of website interactions	2.45M	↓ **(61.7%)**◊
	No. of digital downloads	72.6K	↓ **(34.2%)**◊
	Social media audience	595K	↑ **1.3%**Δ
	No. of press references	119	↑ **164%**

* Highlights include being cited in Chris Skidmore's Net Zero Review and a House of Commons report on Nuclear Energy.

◊ Primarily due to the implementation of the cookie consent banner in Sept 2022, which now makes it more difficult to account for every website interaction.

Δ Our most active channels, LinkedIn and Instagram rose significantly.

Financial health

Strategic Outcome	Performance Indicators	2023	
		Results	Change
Membership income We want our membership income to support our strategic goals	Membership income	£13.7M	↑ **8.1%**
Income diversity A greater spread of income increases our resilience and supports our charitable objectives	% of unrestricted revenue from non-subscription sources†	42.1%	↑ **2.0% pts**
Free reserves Our free reserves should enable us to cope with financial shocks and take advantage of opportunities	Free reserves (3 year rolling average to smooth out market value volatility)	£7.81M	↑ **20.6%**‡

† Excluding revenue from companies for which a divestment process is underway.

‡ The increase in free reserves has been generated primarily from our trading companies and through an underspend on member services. During 2024, we will investigate the reasons for the underspend in member services and implement corrective actions. It is our intention to increase the funding to member services by 10% year on year.



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We launched a policy report on ‘The Role of Engineering in Sport'.

Key achievements in 2023

Impact

Positioned as a leading voice and authority in adapting to climate change.

Published 'Adapting Industry to Withstand Rising Temperatures and Future Heatwaves' in April 2023. This work was instigated by Dr Tim Fox and the Process Industries Division, in collaboration with the Construction and Building Services Division and the Thermofluids Group, as well as members of other engineering institutions and external subject matter experts from across the world. The report was covered in the Financial Times in the UK and CNBC News in the USA. Later in the year, our Public Affairs and Policy Advisor, Laura Kent, travelled to Geneva to brief the World Trade Organization on the impact and challenges posed by climate extremes on infrastructure worldwide. The coverage of this report raised the profile of IMechE in the policy area of climate change and sustainability.

Demonstrated the importance of engineering in making sport inclusive and sustainable.

Launched the report 'Inclusive, Innovative, Sustainable: The Role of Engineering in Sport' alongside a technology showcase at One Birdcage Walk. This work was initiated by Dr Thomas Allen and the Biomedical Engineering Division and has led to the creation of a Sports Engineering Community within the Division.

Supported the 'BBC Bitesize Schools Tour' to inspire young engineers.

Partnered with the 'BBC Bitesize Schools Tour', which reached over 112,500 students across 142 secondary schools throughout the UK, providing invaluable insight and inspiration for students to take into their future careers.The Education and Skills Strategy Board approved the collaboration with the BBC which resulted in IMechE members taking part in events in schools. This high-profile education outreach enabled IMechE to highlight the importance of engineering and maximise the impact of our members influencing and inspiring the next generation of engineers.

Provided accessible and inclusive insight into the engineering industry.

The Education and Skills Strategy Board oversees our Virtual Work Experience Programme. This year we saw 1,984 students sign up, with an average 8.4 rating from participants. The programme was especially popular with underrepresented groups, including young BAME males, and 2023 saw a growth in participation across all regions in the UK, including 15 regional cold spots.



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Our annual student, apprentices and early-career challenges continue to attract competitors from across the globe.

Community

Fostered global cooperation through strategic partnerships to advance engineering excellence.

Solidified key partnerships through Memorandums of Understanding and Agreements of Cooperation with the Institution of Engineers Singapore (IES), the Institute of Engineers Malaysia (IEM) and the Philippines Society of Mechanical Engineering.

Promoted a culture of openness within the IMechE community.

Spearheaded by our Young Members, the 'Talking Together' initiative fosters an open dialogue surrounding the important topic of mental health. These short videos provided valuable perspectives and guidance to members and included a conversation with IMechE President Giles Hartill and insights from Dan Jones of Mercedes AMG HPP on remaining focused under pressure.

Strengthened the Institution's global network.

Established a variety of exciting new committees and student chapters, including the Aerospace Division Young Members Committee plus five international student chapters, expanding our engagement and reach in Pakistan, Indonesia, Sri Lanka and the Philippines.

Empowered young engineers from across the globe.

Our annual student, apprentices and early-career challenges, such as Formula Student and the Railway Challenge, continue to attract competitors from across the globe, welcoming 37 countries in 2023 including Macedonia, Saudi Arabia, Poland, Nigeria, Taiwan and Mexico.

Extended the reach of our 'Engineering Heritage Awards'.

Our Engineering Heritage Awards honour the pivotal role of mechanical engineering in shaping our past and present. In 2023, all awards were presented outside the United Kingdom, highlighting the Institution's global reach. Among those awarded were the Express' EIR-21 locomotive (India) and the Tanjung Tualang Tin Dredge No.5 TT5 (Malaysia).



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We launched our new Membership Partner offering for organisations.

Recognition

Engaged with Industry and Academia to support the engineering profession.

Our commitment to supporting our profession and our members is highlighted through our accreditation activities, which include 22 university accreditation visits and 53 company accreditation visits. Our collaborative efforts with industry, the development of the new Membership Partner offering, and the ongoing series of events promoting IMechE, which attracted a global attendance of 15,663 delegates, all underscore our commitment to upholding stringent accreditation standards and supporting the development of engineers and technicians.

Demonstrated our commitment to the development of apprentices.

Supported engineering apprentices through the delivery of 1,578 End Point Assessments for the level 3 Engineering Technician qualification, working with 109 training providers and colleges. The rigorous scrutiny of our processes by the End Point Assessment Standards Committee ensures their validity, reinforcing our dedication to high standards. This collective effort helps to contribute to the quality of our engineering workforce but also fosters a more inclusive world by equipping apprentices with the skills to navigate global challenges.

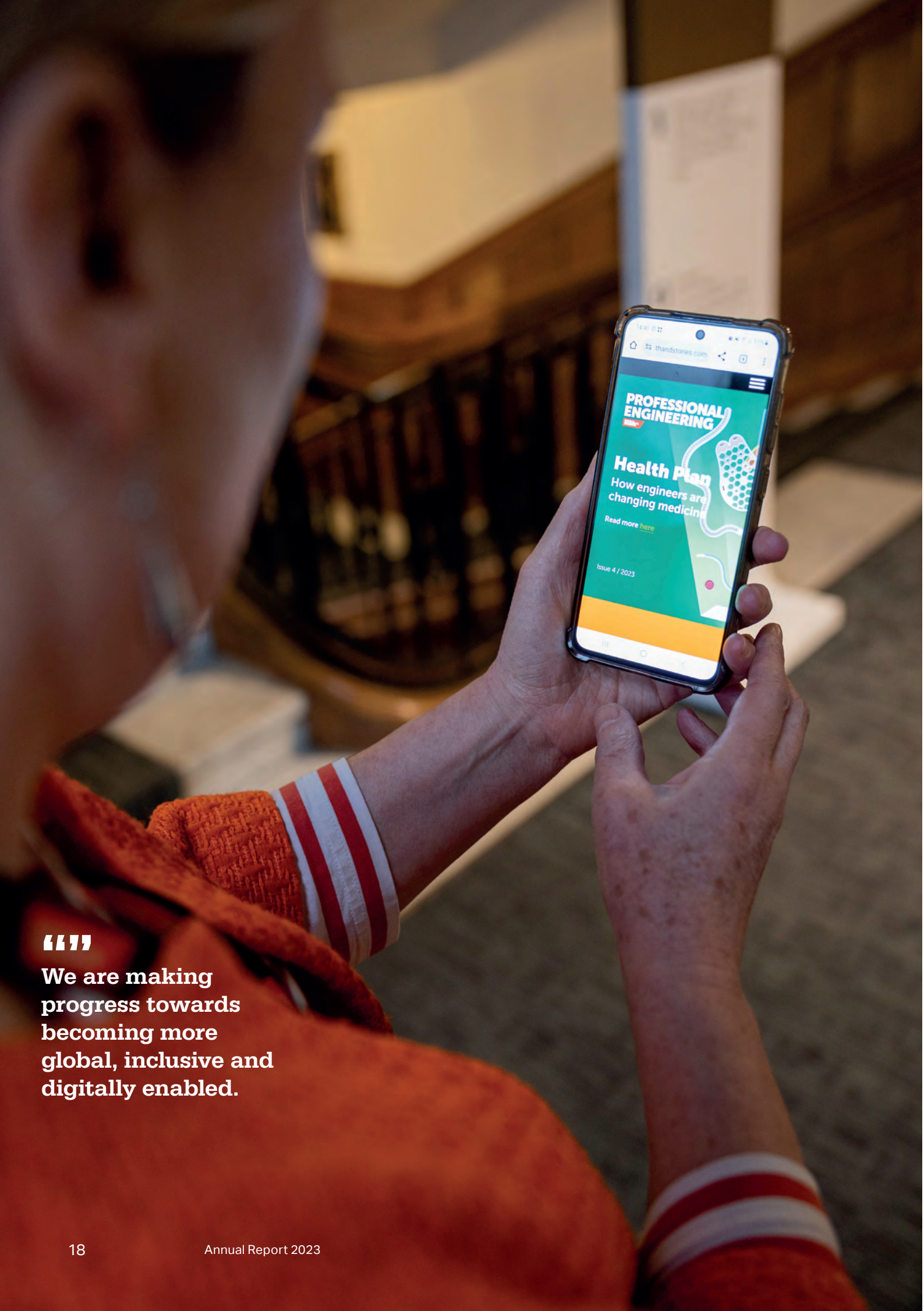
Expertise

Recorded highest ever revenue for 'Learning and Development'.

Impressive growth post-pandemic was driven by the business plan innovation target to design and deliver 12 new courses in 2023. This was achieved with new titles featuring Hydrogen, Artificial Intelligence and Coding techniques. Our training portfolio now offers over 200 courses across 13 technical and non-technical categories. We delivered over 10,000 delegate days in 2023 and, within our direct-to-business offering, the number of customers grew by 30%, giving us a superb platform for growth in 2024.

Created opportunities for engineers to address challenges in the hydrogen economy.

Following the Government's commitment to achieve net-zero emissions by 2050, hydrogen is stated to play a role in tackling climate change. 200 engineers attended our conference 'Engineering Challenges in the Hydrogen Economy' making it the best attended conference of 2023.



“We are making progress towards becoming more global, inclusive and digitally enabled.

Digital First

Laid strong foundations for the digital transformation, led by our 2030 strategy.

The Digital, Data, and Innovation team are on track to complete process mapping for all business functions within IMechE by the end of 2024. This phase is crucial in understanding what digital capabilities we will be able to offer to members in the future. Whilst process mapping is ongoing, tactical changes have been implemented wherever possible to improve our volunteer and member experiences. We are proud to have supported IMechE's first digital-first subscriptions campaign by implementing changes to the online payments page and moving to a new mailing platform to deliver communications.

Successfully implemented an integrated Library Catalogue.

Enabled the IMechE Library to be seamlessly discoverable on the globally recognised WorldCat library union catalogue, which has both enhanced the user experience and resulted in resource savings and workflow efficiencies.

Sustainable Finances and Facilities

Our headquarters have been the greatest risk on our corporate register for the past five years, as noted in our Annual Reports. Balancing funding for general Institution activities with maintenance costs has made addressing the financial risk associated with our Birdcage Walk property a priority.

Extensive analysis over recent years has explored options for the headquarters' future, considering our financial situation, operational requirements, and long-term strategy. The Headquarters Programme Board (HQPB), established in 2023, provided recommendations and resolutions to the Trustees, engaging external experts to enhance our risk understanding and provide assurance.

The work has benefitted significantly from the expertise of Chris O'Boyle, co-opted appointee to the Trustee Board through a Nominations Committee process, and advice from Council members. The Trustees are seeking to balance the Institution's requirements with the heritage of Birdcage Walk. They are drawing on the expertise and experience of HQPB and Council, and a member vote is planned for 2024. Trustees are engaging with the Council to finalise the recommendation and resolution terms. While progress has been slower than anticipated, thorough analysis and consultation are essential for making the right decision.

While we work towards this decision, our investment in building maintenance has been deliberately kept below depreciation, pending the outcome of our deliberations on the building's future.



We have set up a sports engineering community to help position IMechE as a leading Institution in this field.

Governance & Leadership

On 1 November 2023, the Institution held its first Summit meeting, bringing together representatives of each of the Trustee Board, Council and Executive team. The Summit identified key issues that the Institution needs to address:

- further refining the purpose of the Institution, building on the strategy work so far
- high level operating model
- the trading companies and investments
- the future of our headquarters

In response, the **IMechE Operations Group** was formed to address these issues.

It was recognised that Task and Finish groups already existed on the future of our headquarters and our trading companies, reporting to the Trustee Board, and these will continue to deliver the objectives set. Additionally, two other Task and Finish groups were created:

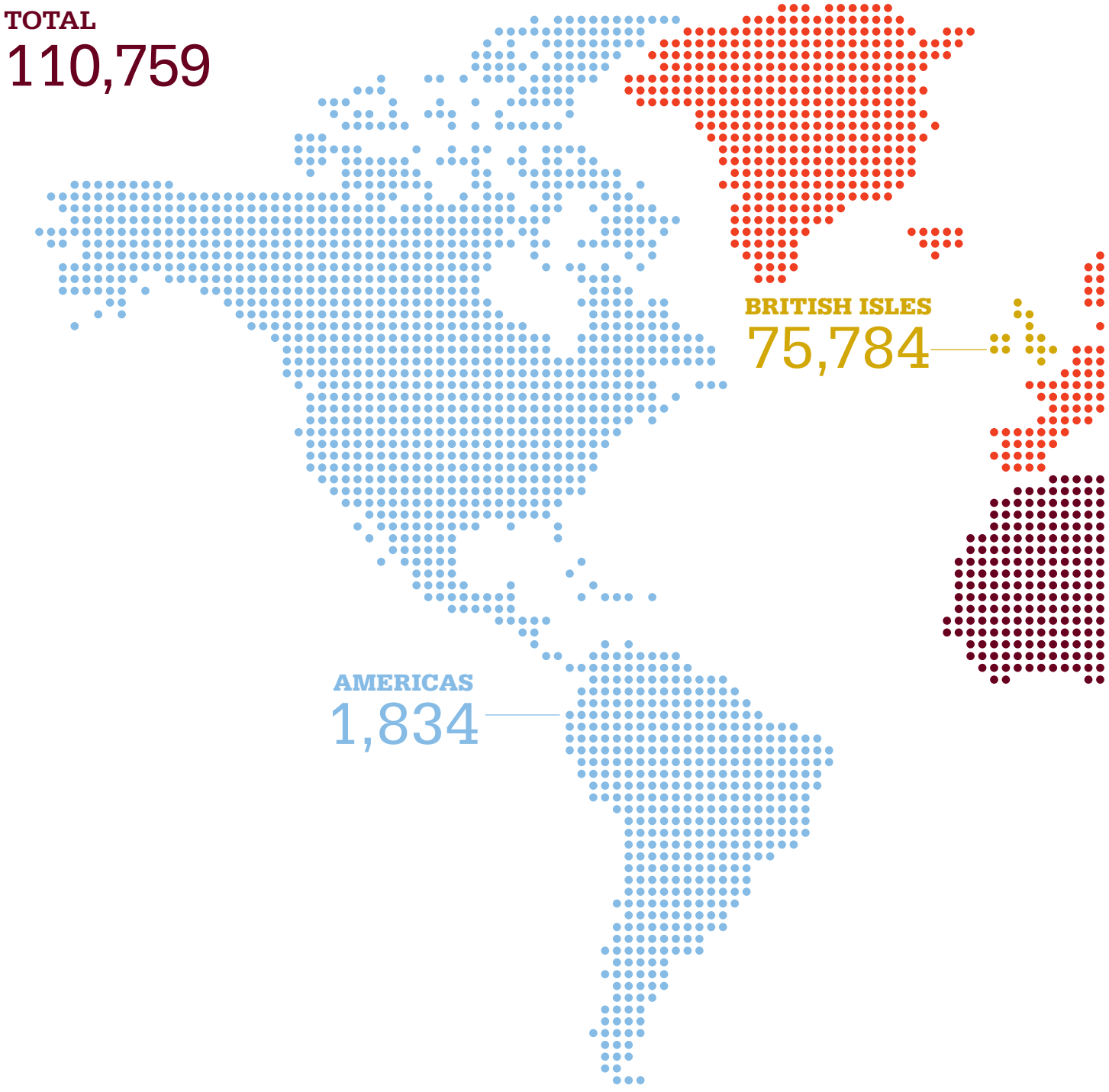
- a **Task and Finish Group to further develop the purpose of the Institution** – with focus on answering the key questions: What is our purpose and why are we here?
- a **Task and Finish Group to explore and develop possible options for IMechE management systems**

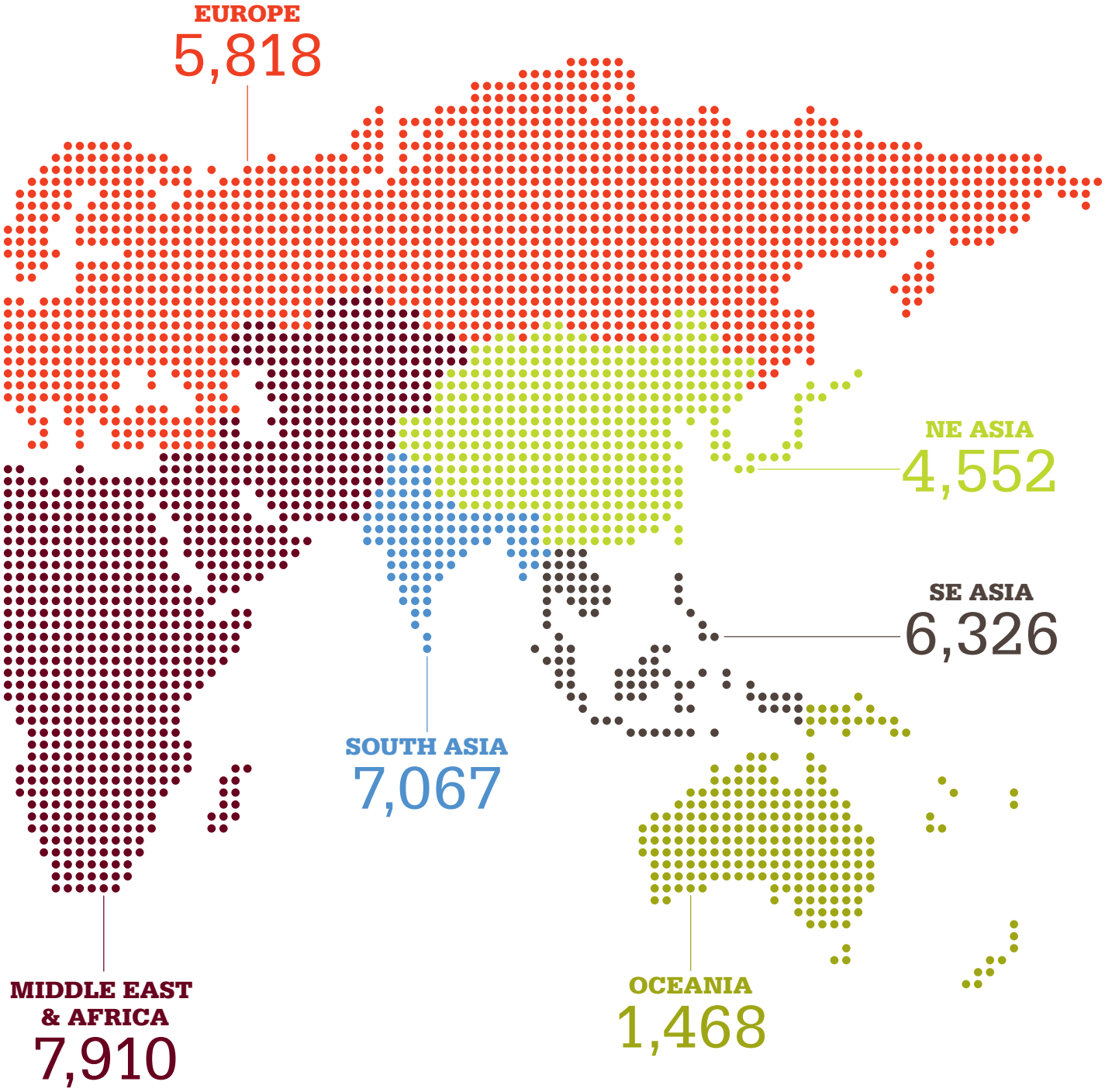
These Task and Finish groups include representatives from all senior Boards within the Institution to ensure a representative selection of the membership.

The IMechE Operations Group meets monthly and is already making good progress. A second summit meeting is scheduled for 2024, with a report to be issued to the Institution's membership following that meeting.

Global Membership

Figure 1: Number of members in each of the Institution's global regions.




EUROPE
5,818
NE ASIA
4,552
SE ASIA
6,326
SOUTH ASIA
7,067
MIDDLE EAST
& AFRICA
7,910
OCEANIA
1,468



“”

We want to build an engineering profession that is accessible and inclusive to all.

Diversity and Inclusion

Creating Inclusion

Inclusion sits at the heart of the Institution's 2030 strategy, and we continue working with our members and employees to ensure we are building a global, inclusive and digitally enabled engineering community.

We launched a range of exciting initiatives in 2023, including new partnerships, a training programme and the creation of our first Culture Ambassador Network.

The Network, headed by Emma Bould CEng FIMechE as Member Network Lead and Farah Baksh as Employee Network Lead, aims to ensure everyone feels supported, included, and has a voice within our organisation. The Network will work collaboratively to provide guidance, support, and resources to members and employees while also actively encouraging conversations about people and culture.

Last year, we formed partnerships with the Association of Black and Ethnic Minority Engineers (AFBE-UK), Women's Engineering Society (WES), Business Disability Forum (BDF) and SheCanEngineer to ensure together we build an engineering profession which is accessible and inclusive to all.

Training continues to be a key part of our D&I strategy. We launched a virtual D&I Learning Programme 'Creating Inclusion' for members and employees. The programme has been designed to meet a variety of learning needs and includes tools ranging from pre-recorded webinars to fact sheets and a podcast.

The D&I Committee has recruited a new Chair Holley Reece-Barkell who will start in her role on 1 May 2024. We would like to thank Isobel Pollock-Hulf OBE, who is stepping down from the role after five years for her huge contribution to leading and launching our D&I strategy.

We celebrated the 100th anniversary of Verena Holmes being elected our first woman member on 22 February 1924. We have commissioned a portrait of Verena Holmes which is now hanging in Birdcage Walk.

afbe Association for Black & Minority Ethnic Engineers

wes

Business Disability Forum

SheCan Engineer

Gender pay gap

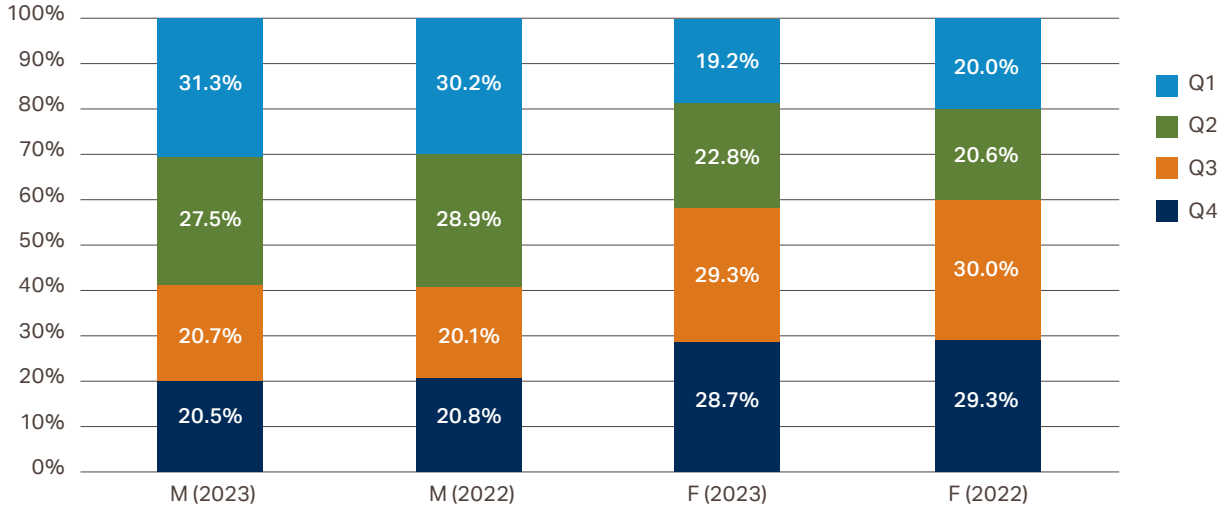
The Institution employs fewer than the requisite of 250 employees and does not have to publish gender pay gap information. However, as part of its commitments to its values and to demonstrate transparency, we have made the decision to publish gender pay gap information annually.

In 2023, male employees were paid on average 13.3% more than female employees (2022 12.7%).

This is due to the proportion of men being significantly higher in the higher two quartiles (58.8%, 2022: 59%) than the lower two quartiles (41.2%, 2022: 40%).

Within the individual quartiles pay is very close with female pay ranging from 101% to 103% of the mean (2022 : 99% to 103%) of the quartile and being higher in all four (2022: three) of the four quartiles.

Figure 2: Split of staff by pay quartile



Environmental sustainability and social responsibility

The Institution remains committed to reducing its environmental impact and enhancing its social responsibility as a means of achieving greater sustainability.

In advance of making any decision about the future of our headquarters at Birdcage Walk, one of our primary objectives is to ensure that, whatever the outcome, sustainability and a reduction in our carbon footprint remain central to any planning process.

The Facilities Team is continuing to lead on green initiatives, achieving a significant milestone in 2023 by eliminating single-use plastics in the disposable supplies used across the Institution.

Our Energy Performance Certificate was renewed in June 2023 and, thanks to the ongoing programme of replacing end of life fluorescent lightbulbs with an equivalent LED version, our carbon rating reduced from 121 to 109.

Despite working within the constraints of a heritage building, we are committed to the improvement of our environmental performance and have seen a reduction in our energy consumption compared to 2022. Our annual electricity consumption in 2023 decreased from 539 MWh to 429 MWh, while our gas consumption decreased from 737 MWh to 723 MWh.

Additionally, almost 80% of our electricity is now sourced from renewables. Looking ahead, we aim to shift away from natural gas as our existing heating systems approach the end of their lifecycle.



Our International Strategy Board met in London this year, during our Volunteer Engagement Week.

Structure Governance and Management of the Charity

The Institution is governed by a Trustee Board comprising members of the Institution elected to office by Corporate and Associate Members, through an annual election process. Essential training is provided at the start of each election term for all Trustees and additional specific training provided as required related to specific activities or skills growth.

Trustee Board

President	Giles Hartill (25.05.2023 to 23.05.2024) Dr Clive Hickman OBE (elected 23.05.2024)
Deputy President	Dr Clive Hickman OBE (until 25.05.2023) Matt Garside Dr Richard Judge (elected 23.05.2024)
Vice Presidents	Simon Evans Dr Richard Judge (until 23.05.2024) Prof David Nowell
International Vice President	Chris Chong (elected 23.05.2024)
Ordinary Members	Abbey Addison Bridget Eickhoff (until 23.05.24) Ruth Shilston Chanaka Wanniarachchi (until 23.05.2024) Darren Sharpe (elected 23.05.2024)
Member ordinarily resident overseas	Chis Chong (until 23.05.2024)
Member under 30	Joshua Thomson-Smith

Trustees retired or resigned in year (between 25.05.2023 and 23.05.2024)

Past President	Phil Peel
Vice President	Heather Clarke Helena Rivers
International Vice President	Vijay Raman
Member under 30	Ross O'Brien
Ordinary Member	Emeritus Prof. Graeme Britton

Trustees typically meet eight times a year with additional meetings as required. Trustees are invited and attend as observers at Council meetings.

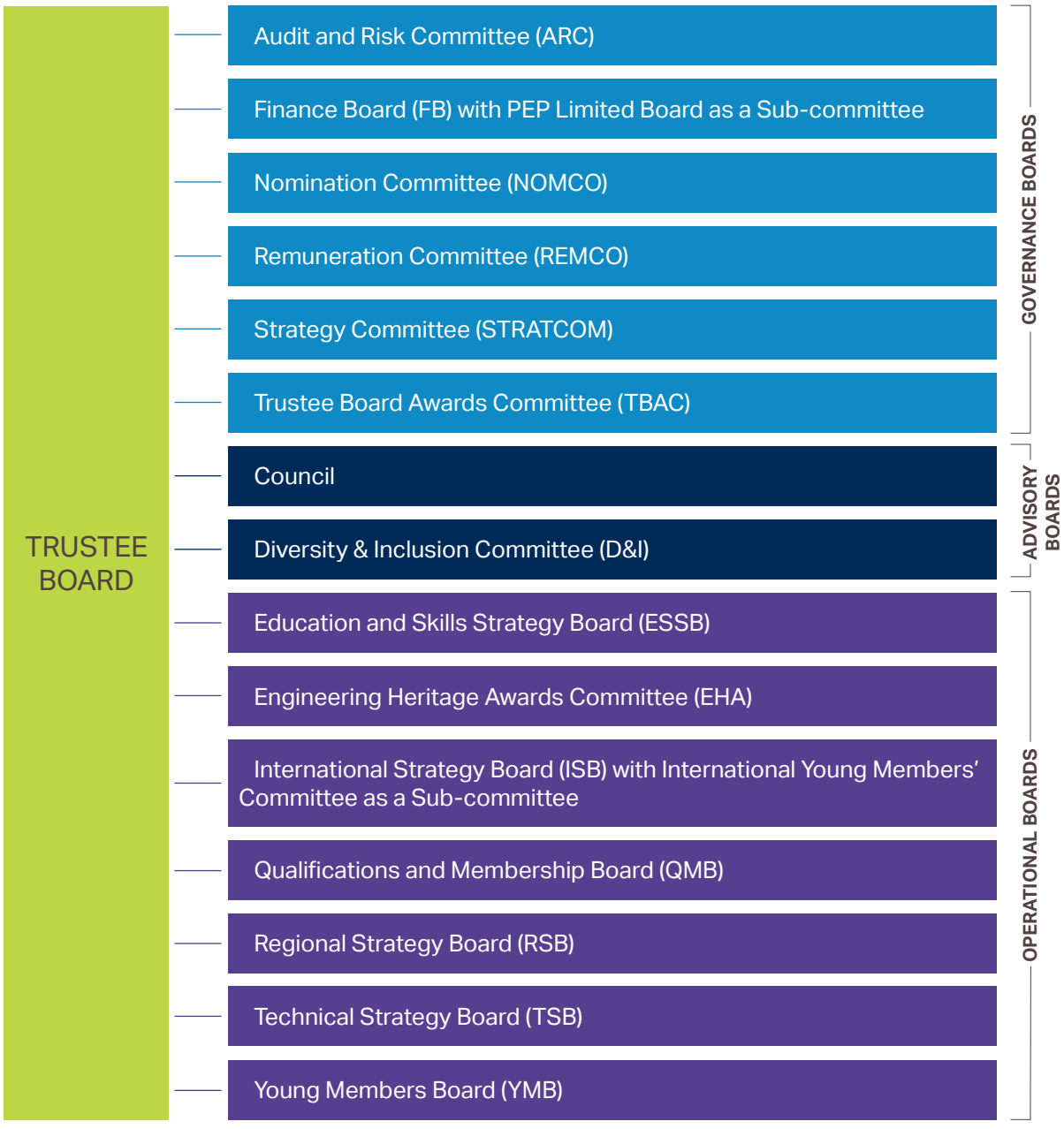
Senior Management Team

The Chief Executive is responsible for the daily management of the Institution in accordance with the Royal Charter and By-laws and the direction of the Trustee Board, and the organisation and deployment of the Institution's employees. Five Directors support the delivery of the Chief Executive's responsibilities.

Chief Executive	Dr Alice Bunn, OBE
Director of Commercial and Finance	Sean Fox
Director Human Resources	Bims Alalade
Director Member Operations	Joanna Horton
Director Engineering Policy and Impact	James Partington
Director of Digital, Data and Innovation	Jake Fraser

Boards and Committees

The Trustee Board is directly supported by the work of its governance sub-committees and through the work of its advisory bodies. Responsibility for core Learned Society functions is delegated to operational boards and committees.



Boards and Committees (continued)

Governance

- **Audit and Risk** – objective and independent review of risk management, control, and governance processes.
- **Finance** – management of the Institution's finances and investments. The PEP Limited Board is a sub-committee of the Finance Board and is responsible for the management of the Institution's trading subsidiaries.
- **Nominations** – independent and transparent recruitment of qualified members and non-members to boards & committees
- **Remunerations** – remuneration packages for the CEO and Directors, and overall settlement for all employees.
- **Strategy** – developing the Institution's high-level purpose, vision, strategy and objectives.
- **Trustee Board Awards** – administer the disbursement of the Institution's major prizes and awards.

Advisory

- **Council** – tendering advice on the direction and strategy of the Institution and for communicating the representative views of the membership.
- **Diversity & Inclusion** – provides guidance on matters related to equality, diversity and inclusion for both members and employees.

Operational

- **Education and Skills Strategy Board (ESSB)** – influences education and skills to facilitate the inspiration, education and retention of young people and contributes to the long-term sustainable diversification, development and growth of the engineering profession at large.
- **Engineering Heritage Awards Committee (EHAC)** – recognises and celebrates engineering heritage worldwide.
- **International Strategy Board (ISB)** – Learned Society activities for, and engagement with members based outside of the British Isles. The International Young Members committee reports directly to ISB.
- **Qualification and Membership Board (QMB)** – ensures that the standards for election to and continuance of Membership of the Institution and Registration with the Licensing Bodies are maintained.
- **Regional Strategy Board (RSB)** – Learned Society activities for, and local engagement with members based in the UK and Republic of Ireland.
- **Technical Strategy Board (TSB)** – promotes technical interests and coordinates Learned Society activities covering industry sectors (Divisions) and engineering technologies (Groups).
- **Young Members Board (YMB) and the International Young Members Committee (IYMC)** – champion and promote Learned Society activities for, and engagement with members within ten years of profession registration.

Structure of local operations

Every member is assigned to an Institution region aligned to the defined geographical areas under the remits of the Regional Strategy Board and the International Strategy Board.

The RSB and ISB networks alongside the Divisional Centres are the key mechanism for the Institution's engagement with members at a local level.

The UK and Republic of Ireland operations are structured into 16 regions and the international operations into 7 regions, each of which is overseen by a committee of volunteers. Regional Committees comprise elected positions such as Chair, Vice Chair, Secretary, and Treasurer, whose work is supported by other volunteer members.

Regional operations can be further delineated into a regional sub-structure comprising local Branches, Areas, Young Member Panels and include Division Centres located near to industry hubs.

Membership volunteering

The extent and success of the Learned Society's engagement and activities is dependent on the commitment and efforts of our volunteer members who are supported by professional and well-trained staff.

The Trustee Board would like to thank the thousands of members around the world who freely volunteer their time to support the Institution in all parts of its Learned Society and membership activities. Institution members give their time on a purely voluntary basis as members of the Trustee Board, governance committees, advisory bodies, operational boards and committees, and across the regional and international networks.

Member volunteers are also crucial in the delivery of Professional Reviews, accreditation visits, STEM based activities, local events, mentoring, student challenges, to name just a few of the many opportunities to connect with the Institution. Without this support many of our activities or meetings would not be possible.

Provision of free facilities

The Institution pays for most of the external facilities that it uses, particularly at national level. Locally, in the Regions and Centres, there is some dependence on the provision of free facilities to hold meetings and activities.

Charity Commission of England & Wales and Office of the Scottish Charity Regulator

The Institution takes seriously its responsibilities and duties as a large charity and is focused on continuously improving its governance framework to fully comply with its statutory and regulatory obligations and to demonstrate best practice.

In 2023, the merging of the governance, risk and internal audit teams fostered a more collaborative approach and has led to best practice governance principles being embedded across the team.

In the spirit of continuous improvement, a summit of senior volunteers and staff from across the Institution met in 2023 to discuss the best governance and operating model for the Institution as it entered its new strategic period. This initiative led to the establishment of two "task and finish groups" (page 21), comprising members and staff and reporting to the Trustee Board. Work will continue into 2024.

Trustees agreed upon an updated policy framework with a structured and scheduled plan for renew and review. This has provided assurance that appropriate policies are in place and reviewed regularly, ensuring that any legislative or regulatory changes are acted on promptly and reflected in our policies and procedures. This work culminated in a new complaints policy and framework, approved by Trustees in December 2023, that will be rolled out across 2024.

We continue to ensure that Trustees and other volunteers receive relevant training to make sure that their responsibilities are fully understood. This includes legal briefings on fiduciary duties, mandatory GDPR training and access to the Institution's well established diversity training which helps promote our values and behaviours.

Activities in Scotland

The IMechE has a substantial community of around 10,000 members in Scotland, supported by the Scottish Region Committee. This committee operates actively in Glasgow, Edinburgh, Aberdeen, and Thurso, arranging a variety of events, both technical and social. The Scottish Region Annual Dinner, held in Glasgow in October, is a notable event.

The Glasgow Young Members have demonstrated innovation by successfully organising events on Diversity and Inclusion in March, Business Start Ups in May, and a Careers event in October. Despite challenges such as storm Babet impacting member attendance at the region's Annual Dinner, enthusiasm within the community remains steadfast.

Additionally, the Institution's Upstream Oil and Gas committee, part of the Process Industries Division, held a seminar titled "Managing Ageing Offshore Assets" in June 2023. Hosted at the Net Zero Technology Centre in Aberdeen, the event featured presentations from industry speakers including the NZTC's Chief Operating Officer, experts from the HSE, Net Zero Transition Authority, Harbour Energy, and others.

Internal control

Internal control systems provide reasonable but not absolute assurance against material misstatement or loss, and cover measures to identify and manage risk.

In 2023:

- The Programme Office supported the Executive Team in creating the business plan and the reviewing and reporting of the KPIs on a quarterly and annual basis to the Leadership Forum and Trustee Board.
- The Risk and Internal function merged with the Governance team to allow a more collaborative way of working.
- The internal audit programme of the Institution's internal processes continued. The results were reported to the Executive and Audit and Risk Committee with action plans implemented. The audits are lead and completed by an independent ISO 9001 lead auditor.
- Work to embed the new strategic and department operational risk registers continued with regular reporting to the Executive and Audit and Risk Committee.

Employee engagement

The Institution benefits from a diverse workforce committed to embodying its values in their daily work. Employees actively participate in engagement initiatives designed to foster a positive workplace environment.

IMechE collaborates with its employees through various channels, striving to attract and retain skilled and engaged staff. The organisational culture encourages employee involvement and feedback, facilitated by the Employee Engagement Group and its workstreams. Notably, this group oversees the annual employee recognition awards and the employee strategy day, providing opportunities for staff to contribute to the organisation's direction. Regular team briefings are also held to ensure employees are kept informed about the Institution's activities.

The Institution demonstrates its commitment to employee wellbeing by offering a range of benefits, including a focus on mental health awareness through seminars and annual training for both employees and managers. In the last year there have also been webinars covering other areas such as financial health to all employees.

As part of an organisational restructure, several Associate Director roles were converted or created to align with IMechE's capabilities and enablers. The Executive Team and Associate Directors collectively form the senior leadership team responsible for implementing the Institution's strategy.

Arrangements for setting the pay and remuneration of key personnel

The remuneration of all staff is reviewed and approved annually by the Remuneration Committee. The Committee ensures arrangements are affordable and fair and designed to motivate and reward performance. Remuneration is benchmarked periodically using external surveys and sector data.

Public Benefit statement

The Trustees confirm that they have complied with the duty in Part 1, Section 4 of the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit, 'Charities and Public Benefit'.

The charitable objective of the Institution is to promote the development of Mechanical Engineering to benefit 'the general public/mankind' as detailed in the Royal Charter. The Trustees ensure that this purpose is carried out for the public benefit by delivering services that are valued by our members and setting standards of achievement for engineers, thereby engendering public confidence and trust.

Membership is open to people who are pursuing a career or have an interest in mechanical engineering.

The Institution actively pursues the development of debate and action on topics for the betterment of society that relate to mechanical engineering. The Institution provides free literature, free lectures and free access to the library to encourage members of the public to engage in the improvement of the world through engineering.

Modern slavery: Commitment statement

IMechE is committed to preventing acts of modern slavery and human trafficking from occurring within its business and supply chain, and suppliers. As part of our commitment to combating modern slavery, we will continually review the requirements of the MSA 2015 and when appropriate, consider implementing appropriate modern/anti-slavery policies and processes within the organisation. In considering whether to implement the above, we study:

- Our supply chain.
- Cleaning and catering suppliers.
- Any outsourced activities, particularly to jurisdictions that may not have adequate safeguards.
- Corporate hospitality.

Refugee status

IMechE provides two years of free Affiliate membership to engineers holding recognised refugee status. This membership grants full access to all IMechE activities, including both central and regional events, facilitating connections with fellow engineers and potential employers. Additionally, they can utilise all Library services and access Support Network. By extending this support, we aim to assist refugees in resettling and rebuilding their personal and professional lives in the UK. To date, IMechE has welcomed five engineers through this programme.

In response to a national state of emergency declared by the Sri Lankan government, IMechE also extended support to its members by helping with their subscription fees for a temporary period.

Risk Management

The corporate risk register is maintained by a Risk Manager who works closely with the Executive Team and all departmental managers. The Executive Team regularly update the record with oversight from the Audit and Risk Committee in accordance with the Institution's Risk Policy.

Risk issues identified may impact the Institution's strategy, finances, regulation and reputation, so their identification, documentation and treatment are vital in mitigating high priority or high impact areas, as well as confirming the Institution's risk appetite.

The Corporate Risk Register is reviewed at the Trustee Board level to ensure that, where possible, risks are being mitigated and managed effectively. The register is presented annually to the Trustee Board and reviewed more frequently by the Audit and Risk Committee to ensure risks are managed effectively and remain relevant.

Overall responsibility for risk management rests with the Trustee Board. Comprehensive risk registers are maintained at the department level with a consistent approach to risk being adopted throughout the organisation. The COVID-19 pandemic generated additional risk reviews necessitated by the frequent changes to Government guidelines and the impact of the pandemic on the Institution's operations.

Risk Appetite statement 2023

Introduction

Risks associated with the Institution can be described as events that may or may not happen, that could lead to the Institution not achieving its stated objectives, be they strategic or operational.

The Institution's risk appetite can be described as the level of risk that the Institution is willing to tolerate (carry) whilst achieving its stated objectives, including financial and operational priorities.

The Institution's priorities include (but are not limited to):

- Its charitable aims and principles (including our Royal Charter).
- Duty of care to the Charity and our members.
- Our resources (people, infrastructure, environment for the operations).
- Our commitment to continual review and improvement.

Our approach

The Institution's approach to risk is to identify activities that could impact its business objectives. Where activities or potential activities are identified, they are evaluated and recorded as risks. Evaluating risks allows the Institution to assess whether they are within the Institution's risk appetite in their current state. Where identified risks are not within risk appetite additional measures need to be implemented to reduce the probability or impact of them occurring, thus bringing them within risk appetite.

The Institution's risk appetite is linked inextricably to our ability to measure and manage risks. We use several methods to achieve this by implementing policies, procedures, conducting regular reviews and updates as well as assurance processes (internal audits). This approach provides the Institution with an opportunity to make improvements to the business and charity.

The Institution will only accept a risk where the potential benefit or detriment to the business is understood and where sensible measures can be put, or are in place, to control or mitigate the risk. As risks bear a cost, they are also expressed in financial terms, thus allowing the financial impact on the Institution to be evaluated. The Institution's approach to risk is proactive.

A review of risk types (and the associated tolerance/ appetite for each) is underway.

Major organisational risks

Like many other organisations, the Institution has faced various challenges and pressures in recent years. Looking back over recent years, we have established a strategy that outlines our future direction and addressed issues such as the COVID-19 pandemic, and inflationary cost pressures. Through internal audits and external reviews, we have ensured compliance with Engineering Council requirements to maintain our accreditation and core regulatory standards. However, there are still areas where significant strategic risks and issues persist. The table below highlights our immediate priorities, including areas where significant risks have materialised into issues that require attention.

Theme	Risk to be addressed	Mitigation
Governance of trading subsidiaries	The cumulative impact of a variety of incidents over recent years, each of relatively low impact in isolation, have highlighted issues and vulnerabilities in how we govern and manage our trading subsidiaries. A common theme relates to blurred accountabilities, potential conflicts of loyalty, and poor information flows in some areas. The write-off of part of a loan between PEP/IMechE will be revisited following a Serious Incident Report to the Charity Commission.	Action is needed to strengthen compliance with legal requirements and Charity Commission guidelines. We have already taken steps to address the more straightforward issues. Several actions relate to more consistently robust implementation of frameworks that already exist. A more comprehensive review is underway and planned for completion during 2024 (with implementation over the next 6 – 12 months).
Financial management	External audits give us confidence in the robustness of financial accounts. However, a high turnover of people in our finance teams and overly complex financial processes have combined to result in significant costs. Those costs are both direct (e.g. higher than budget workforce) and indirect (e.g. mitigating delays to audit and to decision making in the absence of reliable data or overly stretched teams).	There is to be renewed focus on finances: first by getting a grip on existing processes and information, to restore confidence and ensure we are able to provide decision-makers with reliable, timely data. We will develop and prioritise a programme of work that simplifies our financial processes and decision making, while building in-house capability and systems.
Sustainable finances	Our Institution has been living beyond its means for many years. The origins of our financial issues stem back at least a decade. It has led to reduced member services, underinvestment in our HQ building and erosion of free reserves. We are making good progress in tackling the issues, building on actions stemming from the 2018 reviews to replenish our free reserves, but there is still a lot to do—including resolving questions about the future of our HQ and our trading subsidiaries. There has been insufficient clarity and visibility of financial decision making. Lacking shared understanding makes it harder for us to think critically and collectively about priorities. This has been addressed in part through strengthened engagement with Council, and with a young member and a council member joining Finance Board.	We need to embed the new practices put in place over recent years, including: • Moving from a one year to a rolling three year budget (with the intent to extend this to five years) that aligns with our strategic priorities. • Steadily rebuilding free reserves. • Strengthening the transparency of our financial decision making. We need to resolve questions about our headquarters and trading subsidiaries, which significantly impact future finances. We also need to explore options for augmenting membership income (95% of our income) with alternative sources of revenue that are consistent with our purpose and strategic goals.

Theme	Risk to be addressed	Mitigation
Governance processes	Governance systems are complex and lack clarity in places. Governance processes in some areas are cumbersome and time consuming. Historic record keeping is weak in some areas which can exacerbate the unclarity in certain areas.	A summit attended by senior volunteers and staff was held in 2023 and discussed governance and the operating model of the Institution. A number of "task and finish" groups have been created focusing on key areas such as the management system and the overall purpose of the Institution. Work continues improving the corporate policy library. A review against the Charity Governance Code was completed in 2023 and this is now scheduled as an annual exercise to review that we are meeting our obligations.
The cost of maintaining the property assets	The cost of running and maintaining property assets continues to increase significantly. Our premises continue to require major repair and upgrade works due to its age and condition. A costing exercise took place in 2022, with the cost of building repairs to meet current standards rising substantially. The future of the head office is therefore a key issue. A recommendation to sell all or part of the building, requires a 2/3 majority vote by the membership. There is a risk that if this is not achieved the issue will remain without resolution.	A Programme Board has been established to review all options with regards to the future of the building and recommend appropriate options to the Trustee Board. There is an information campaign and ongoing consultation underway engaging with the membership on the issue. This will lead to a Special Meeting where member approval will be sought on the approach.
IT infrastructure and cyber security	IT infrastructure and operations continue to pose a significant risk to the Institution, in large part due to IT systems and processes which have become obsolete and require complete replacement. Cyber security remains a continuing high risk, as it does to all organisations, however legacy systems naturally pose a higher risk.	Recruitment and development of an in-house IT team with structured training to upskill staff is underway. There are projects focussing on further migration, development and maintenance of existing infrastructure such as moving servers out of OBW. Other work includes process mapping of as—is business processes and technology dependencies to enable robust change management, improved contract management of underperforming contracts. We are improving our security posture where permissible using tactical changes and policy enforcement.



“”
Our scholarships and awards support engineering students at the start of their careers.

Financial review

Financial results

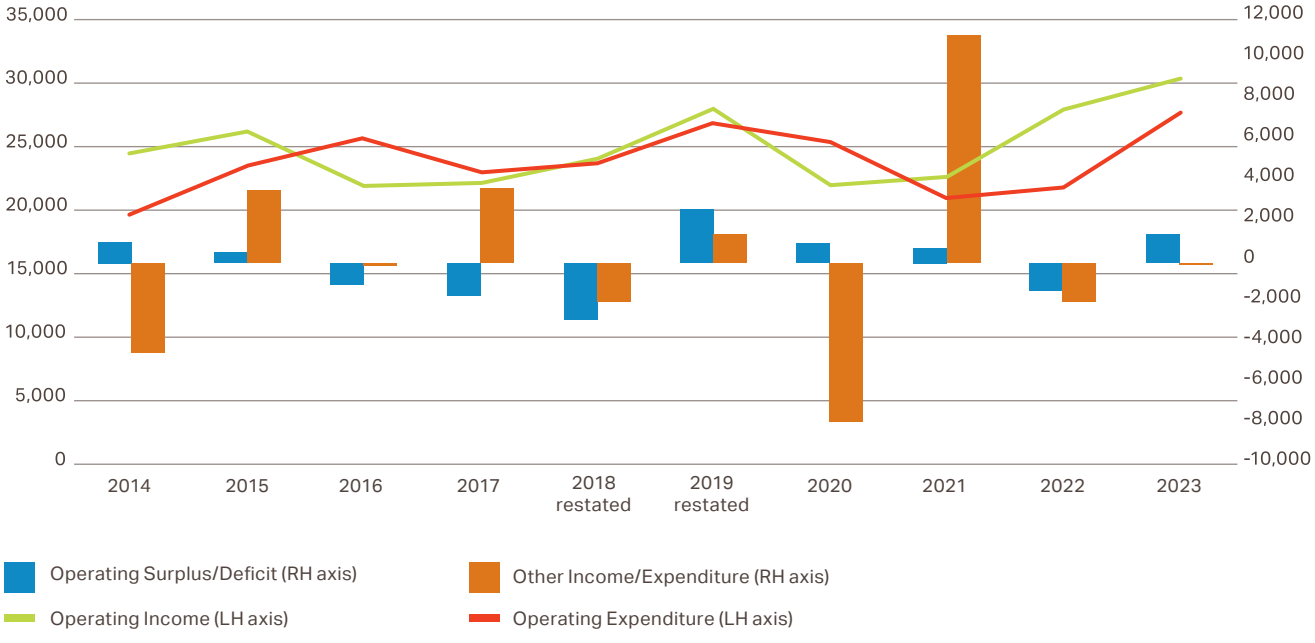
The key objective in improving the financial position of the Institution is to provide secure financial underpinnings to deliver the Trustees' strategy to develop the engineering community to improve the world through engineering. The Institution runs commercial ventures and invests in innovation as part of supporting its overall charitable purpose.

In 2023, overall income rose 9% to £30.2M (2022: £27.9M) with significant growth in charitable income including:

- Membership income up 8% to £13.7M (2022: £12.7M).
- Apprentice end point assessment up 25% to £2.8M (2022: £2.2M).
- Events up 31% to £2.1M (2022: £1.6M).

Operating expenditure rose 5% to £29.1M (2022: £27.7M) resulting in an operating surplus of £1.2M (2022: £0.2M). Non-operating costs included a £0.2M gain on investments (2022: £1.6M loss) and a £0.3M actuarial loss (2022: £0.3M loss) on the pension fund scheme (see note 10 for full details) resulting in a net movement of funds (operating and non-operating) of a £1.1M surplus (2022: £1.2M deficit).

Figure 3: Income and expenditure trends 2014–2023 £'000s

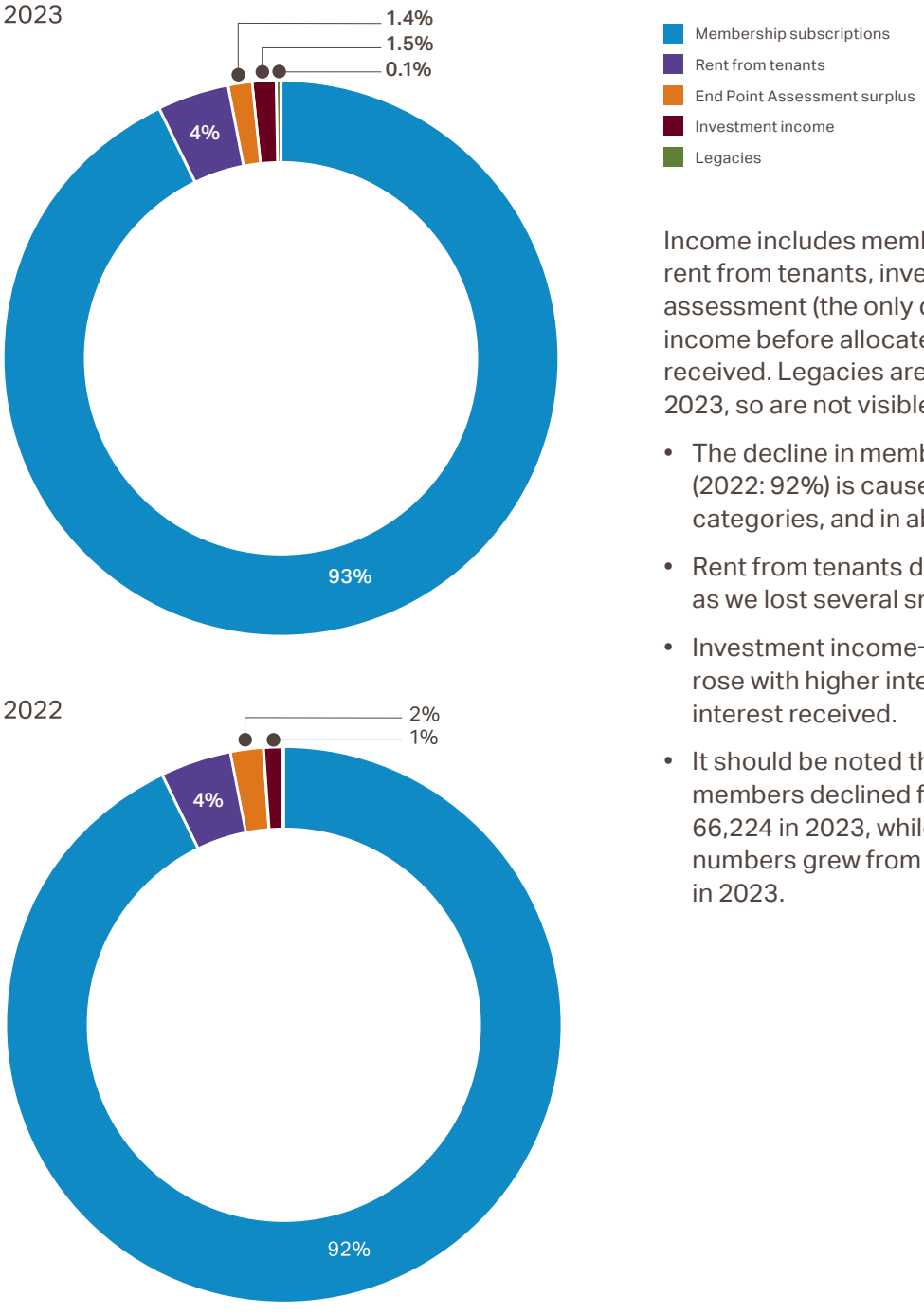


Financial results (continued)

Charity-only income and expenditure

To assist members in understanding a summary of Charity income and expenditure has been developed in a non-statutory format.

Figure 4: Sources of income (charity, unrestricted)



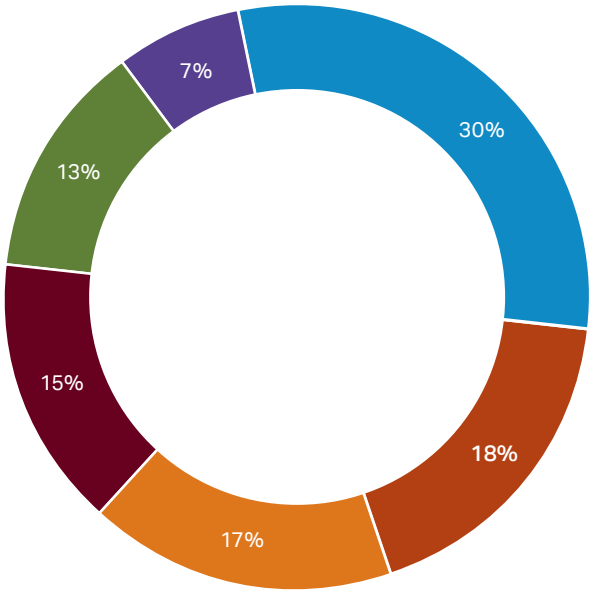
Income includes membership subscriptions, rent from tenants, investment income, end point assessment (the only department with a net income before allocated overheads) and legacies received. Legacies are only 0.1% of income in 2023, so are not visible on the graph.

- The decline in membership income to 89% (2022: 92%) is caused by strong growth in other categories, and in absolute terms grew by 8%.
- Rent from tenants declined to 3.8% (2022: 4.5%) as we lost several small tenants.
- Investment income—at 1.5% (2022: 1.1%)—rose with higher interest rates, producing more interest received.
- It should be noted that the number of paying members declined from 66,323 in 2022 to 66,224 in 2023, while overall membership numbers grew from 110,333 in 2022 to 110,759 in 2023.

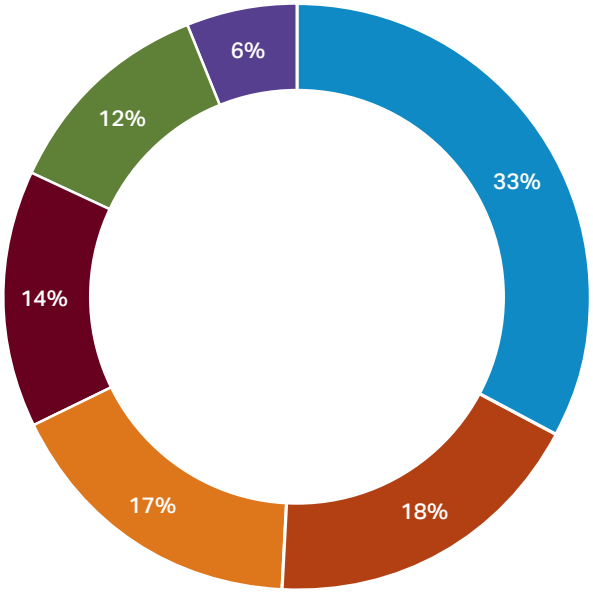
Financial results (continued)

Figure 5: Charity only expenditure

2023



2022



- Membership Development
- Sustainable Finance and Facilities
- Impact
- Governance and Leadership
- Digital First
- People and Culture

All departments with net expenditure have been allocated over the strategic goals and enablers. Depreciation has been excluded from the totals and replaced by capital expenditure as a better measure of in-year activity.

- Member Development has reduced to 30% (2022: 33%) as digital developments have enabled lower operating costs in membership marketing and applications.
- Governance has increased to 15% (2022: 14%) due to more Directors in post average FTE 5.4 (2022: 4.2) and higher legal and consultancy non-operating costs.
- Digital First increased to 13% (2022: 12%) with both operating costs and capital expenditure higher for the digital modernisation programme.
- People and Culture increased to 7% (2022: 6%) due to lower vacancies in the HR department and greater activity in this area from the Director team.
- Other areas were unchanged year on year.
- Marketing and Communication was only created as a strategic enabler towards the end of year. During 2023, all costs for the people who became this team were allocated across other goals, but this will be shown separately in 2024.
- Collaboration and Partnership has not yet been split out as a specific cost area, but work continues in this area.

Financial results (continued)

Charity reserves

The policy on reserves is to calculate a target of specific reserves to cover:

- Special projects (excluding routine maintenance), e.g. the extensive capital repairs needed for One Birdcage Walk.
- Major risks—a judgment based on a combination of those known or reasonably forecast in the medium term—as defined in the Institution's risk register.
- Unknown risks for a major loss of income (e.g. the type of unexpected event that COVID-19 was in 2020).
- The cost of orderly wind-up of the Charity if ever required.

The reserves target is £10.0M (2022: £11.6M). The decrease is due to an updated estimate of costs that might be required for emergency repairs of the building, drawing on recent data and cost information collected by the HQ Programme Board. This is now estimated at £5.4M (2022: £7M), with the more general provision for major risks held at £4.6M (2022: £4.6M). Once a decision is taken on a future building, the reserves will be revisited. There is an expectation that a specific designated fund will then be established to cover future refurbishment costs.

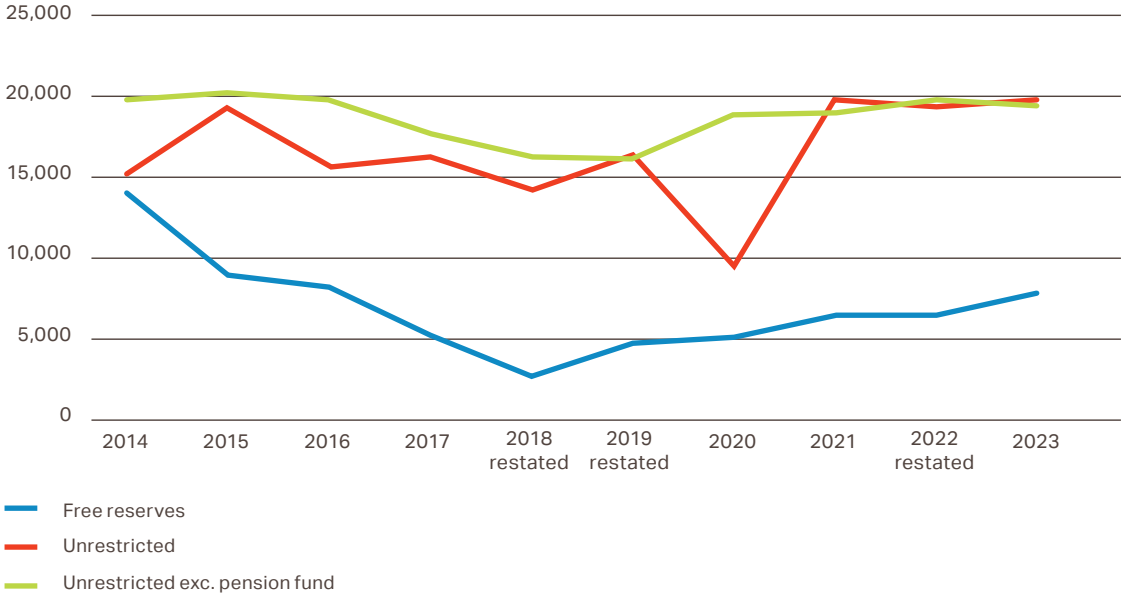
As of 31 December 2023, the calculation of free reserves was:

	2023 £'000	2022 £'000
Total Charity funds excluding pension liability	34,564	33,454
Less: Endowment funds	(11,187)	(10,618)
Less: Restricted income funds	(3,716)	(3,438)
Unrestricted funds	19,661	19,398
Less: Mixed motive investments	(2,602)	(3,082)
Less: Intangible assets	(3,085)	(3,446)
Less: Tangible assets	(5,665)	(5,897)
Less: Current year pension deficit payments	(500)	(500)
Free reserves	7,809	6,473

The main action to bring free reserves back to target is the future head office project. Following on from the two previous working groups, a HQ Programme Board was established in 2023 and it is expected that a resolution will be put to members in 2024 to approve a proposal to resolve the issue.

Financial results (continued)

Figure 6: Trends in unrestricted and free reserves 2014–2023 £'000s



Since 2021, the pension fund has been in surplus (see Note 10 to the accounts for more details). Although deficits are shown in the accounts, we are not allowed to recognise surpluses so, since 2021, the 'Unrestricted' and 'Unrestricted exc. pension fund' values are the same.

Trading Entities

The Institution operates its trading activities through its 100% owned subsidiary Professional Engineering Projects Limited, which itself has two active subsidiaries IMechE Fife NDT Limited (UK) and Sonaspection Worldwide, which acts as the holding company for Sonaspection International Limited (UK) and Sonaspection Inc (USA). Non-consolidated results for each of the legal entities are presented in Note 2 (net incoming resources) of the financial accounts.

The whole of the Institution's trading activities are collectively referred to as the PEP Group (PEP), which has four main operating businesses:

Business area		Legal entity
IMechE Argyll Ruane (IAR)	Market leaders in the provision of training, examination and consultancy services to the non-destructive testing (NDT) and coatings sectors	Division of PEP Ltd + IMechE Fife NDT Ltd
Learning & Development (L&D)	Provision of professional engineering and management training courses	Division of PEP Ltd
One Birdcage Walk (OBW)	Provision of venue hire, with catering and other support for events at the London HQ	Division of PEP Ltd
Sonaspection	Market leading global manufacturer of flawed specimens for the NDT industry (UK and US operations)	Sonaspection International Ltd + Sonaspection Incorporated

The trading performance of these four businesses is overseen by the Board of Professional Engineering Projects Limited. This is chaired by a Trustee (Vice-President), who is also deputy chair of the Finance Board. The PEP Limited Board is directly accountable to the Finance Board (chaired by a Deputy President), which provides oversight of commercial activities as an integral part of its responsibilities for the Institution's finance, and ultimately to the Trustee Board. Both the PEP Limited and Finance Boards have external members who are senior members of the Institution or appropriately qualified independent members. They are supported as required by external professional advice.

The PEP Limited Board reviews the annual plan and three-year strategy for each of the operating businesses. Related financial metrics are approved by the Finance Board as part of the overall Institution's financial processes. Financial and commercial performance is monitored by the PEP Limited Board, with a summary provided through its regular reports to the Finance Board.

Trading Entities (continued)

Strategic direction for Trading Entities

A refreshed strategic direction for PEP has been agreed by the Trustee Board. The intent is to focus on those commercial activities where IMechE is well placed to add value as an owner, to explicitly align commercial and charity strategic goals, and to achieve this with appropriate commercial discipline, profitability and acceptable risk.

This refreshed direction takes us beyond simply seeing our trading activities as a source of income, instead recognising the important contribution they can make to advancing IMechE's strategic goals. We are keen to see the collective experience and expertise of our members, employees and trading businesses harnessed in ways that add direct value for our membership and that advance knowledge, innovation and impact across the engineering communities we form part of.

As a result, there is increasing interaction between PEP and various teams/groups across the Charity, with mutual value already being added through the synergies that exist. The Learning and Development business is being more closely integrated into the activities of the IMechE, while retaining its commercial ethos, to support and enable strategic ambitions for a more cohesive IMechE learning offering to engineers and engineering businesses. The venue hire business, One Birdcage Walk, has been providing direct support to the Charity as part of professionalising our own use of our HQ building.

Future ownership options for IAR and Sonaspection are being actively explored. A more entrepreneurial, commercially focussed ownership could give these businesses and their people the greatest scope to take advantage of their strong market position, and to benefit from the many opportunities that exist. This may lead to their divestment during 2024.

Alongside these developments, consideration is being given to future governance of the PEP Group, with clearer separation from the Charity. The intent is to take this forward during 2024. This includes plans to rationalise PEP's dormant subsidiaries and to simplify unnecessarily complex structures. All IAR's operational activities were brought together within a single legal entity (IMechE Fife NDT Limited) with effect from 19 July 2024.

There is increasing awareness that current frameworks for managing and governing trading subsidiaries need to be revisited, to ensure that IMechE fulfils the obligations set by charity law and guidance. Actions have already been taken to address identified risks and a more comprehensive review is underway. This is planned for completion during 2024, and will take account of any divestments over this period. Implementation will be over the next 6 – 12 months and expected to involve substantive changes.

Trading Entities (continued)

Overall trading performance

Financial metrics for the overall PEP Group are as follows, with further detail in Note 2 to the accounts.

All £M	2023	2022	Notes
Revenue	10.62	10.10	2023 includes £0.4M internal IMechE trading
Profit before interest from operating activities	0.58	0.03	
Revaluation of investment	(1.24)	-	Reduced holding value of Sonaspection by £840k and IAR by £400k
(Loss)/profit before interest and tax	(0.66)	0.03	
Interest and tax	(0.27)	(0.15)	£287k interest to IMechE (2022: £148k)
(Loss) for the year	(0.93)	(0.1)	

PEP Ltd received a dividend of £450k from Sonaspection International, which nets out on consolidation of overall profit/(loss) for the year at PEP Group level.

Trading performance for the PEP Group showed a significant turnaround in trading profitability following the actions taken in 2022. It has now largely recovered from market downturns caused by COVID-19. Revenue increased to £10.6M, of which £0.4M is linked to internal trading with IMechE relating to the Charity's own use of its HQ building (Nil in 2022). This gives 1% growth on external revenue, taking it to £10.2M (2022: £10.1M).

Loss before interest and tax (PBIT) was (£0.66M) (2022: profit £0.03wM) at budgeted exchange rates. The loss largely reflected a £1.24M negative impact from the revaluation of PEP's investment in its subsidiaries. This revaluation was triggered by the decision to divest.

Results for the four businesses are summarised below. The standout performer in absolute terms was L&D, which recorded its highest ever turnover. The biggest turnaround was IAR's reversal of a (£0.59M) PBIT loss in 2022 to almost reach break-even (£0.04M).

A working capital deficit that had grown over the past 5 years (owed by PEP to IMechE) was reduced from £1.73M at the end of 2022 to £0.78M at the end of 2023. This had built up due to a combination of factors, including the COVID-19 period and losses incurred during the start-up of IAR Fife. The repayment was made possible by the PEP Group's stronger trading performance, together with a £450k dividend payment from Sonaspection to PEP Limited (2022: Nil). The intent remains to progressively reduce this deficit and to clear it at the earliest opportunity.

The £287k (2022: £148k) interest payment to IMechE is for a long-term loan set up in 2019 to replace £5.1M of the intercompany short-term debt owed by PEP to IMechE at that time. A further £2k interest payment relates to COVID bounce back loans.

Retained loss after interest and tax was (£1.4M) loss for the group (2022: (£0.01M) profit). PEP Limited does not have distributable reserves, and no dividend was payable.

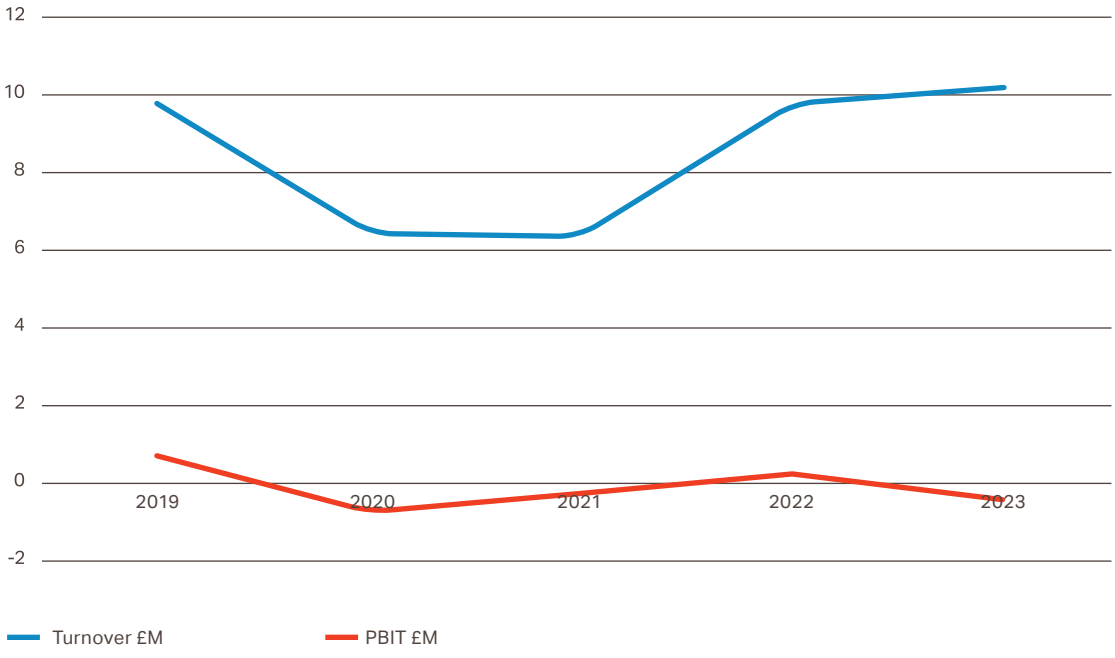
Trading Entities (continued)

Longer-term trends

Overall trading performance for the PEP Group has now largely recovered from the COVID-19 downturn. Turnover trends for the PEP Group since 2019 show this recovery. The underlying trading profitability is also improving, although the revaluation of investments resulted in £1.24M impact on PBIT in 2023.

The outlook for 2024 and beyond is one of continuing modest growth. This will be influenced by the potential divestments of IAR and Sonaspection during 2024, and by decisions relating to IMechE headquarters affecting OBW and L&D in future years.

Figure 7: PEP Group performance



Data in chart	2019	2020	2021	2022	2023
Turnover £M	9.76	6.46	6.35	9.83	10.22†
PBIT £M	0.65	(0.73)	(0.21)	0.16	(0.66)††

Notes: All figures taken from previous IMechE annual reports: turnover taken from SOFA (which included intra-group consolidation adjustments), profits from Note 2 excluding intra-PEP Group dividends.

† Excludes £399k internal trading linked to room hire and catering, and support charges, provided to Members/Charity.

†† Includes £1,240k write down in investment value.

Trading Entities (continued)

IMechE Argyll Ruane (IAR)

	Revenue (£M)		PBIT (£M)	
	2023	2022	2023	2022
IAR (Sheffield)	2.51	2.45	(0.03)	(0.43)
IMechE Fife NDT	0.65	0.47	(0.01)	(0.16)
IMechE Argyll Ruane	**3.16**	**2.92**	**(0.04)**	**(0.59)**

IAR markedly improved its profitability in 2023, with the business much closer to break-even. This benefitted from the restructuring and reductions in cost base that took place towards the end of 2022, refreshed pricing to better reflect the quality of its services, and rebalancing its sales mix. Further progress and a positive PBIT is anticipated in 2024.

Revenue also increased by 8% (to £3.16M). This includes, after making cumulative losses of £(273)k in 2021 and 2022, encouraging growth in its Fife operation to break even in 2023. This is beginning to show the potential of a foothold in the Scottish market.

During 2023, the Sheffield based IAR trade is within PEP Limited while the trade of the Fife based site is within IMechE Fife NDT Limited. On 19 July 2024, the trade, assets and liabilities of IAR were transferred to IMechE Fife NDT Limited to create a single legal entity for this business. This strengthens branding, reduces administration costs and matches the integrated management of the business.

Learning & Development

	Revenue (£M)		PBIT (£M)	
	2023	2022	2023	2022
Public programmes	1.17	1.00	0.34	0.28
Company programmes	1.53	1.46		
Learning & Development	**2.70**	**2.46**	**0.34**	**0.28**

Our training business continued to grow during 2023, recording its highest ever turnover of £2.7M. This achievement was despite the business being affected by the transport strikes in 2023. The biggest growth in revenue came from our public programme of courses (which are available to all).

This revenue growth, together with a decision to defer recruitment as plans developed for the closer integration of L&D with IMechE, produced a large profit boost for 2023. Importantly, planned investment in the business has been sustained with the product development target of £100k reached. In addition, a new brochure covering all of L&D offerings has been launched as part of raising market awareness of the training available (with discounted fees for our members).

Modest growth is expected to continue in 2023. This will benefit from the launch of two major new programmes: Early Career Development Programme, an 18-month professional development programme for engineers at the start of their careers; and Aspiring Engineering Director Programme, a multi-day intensive programme to enable leaders to become high-performing directors.

Trading Entities (continued)

Sonaspection

	Revenue (£M)		PBIT (£M)	
	2023	2022	2023	2022
Sonaspection UK	1.94	2.56	(0.01)	0.24
Sonaspection US	1.13	1.01	0.05	(0.16)
Sonaspection	**3.07**	**3.57**	**0.00**	**0.08**

Note: US$ converted to GB£ at constant exchange rate of $1.25 = £1

Sonaspection had a challenging year, with delays to orders in the early part of 2023 as customers deferred their projects to later in the year. Although some reduction in income was anticipated as the major programme of work for Hinckley C reached its conclusion, and the impacts of these delays was more marked than expected.

Action was taken to mitigate impacts on profit by rebalancing workloads across the UK and US operations, which enabled PBIT for the combined business to remain just above break-even. Overall performance was helped by receipt of $0.1M (£0.87M) of tax credits in the US.

By the end of 2023, orders and work volumes were approaching more usual levels. This, together with a rephasing of some projects, enabled a positive start to 2024. Taken together with a healthy sales pipeline, there is an expectation of the business returning to its more usual profit levels in 2024.

One Birdcage Walk (Venue Hire)

	Revenue (£M)		PBIT (£M)	
	2023	2022	2023	2022
External trading	1.32	1.14	0.29	0.28
Internal IMechE	0.40	-	(0.02)	-
One Birdcage Walk	**1.72**	**1.14**	**0.27**	**0.28**

Our venue hire business, trading under the 'One Birdcage Walk' brand, continued to perform strongly. Its external turnover grew to £1.32M (16% growth), which is just below the pre-COVID peak of £1.35M. Had there not been so much transport disruption it would likely have exceeded this. Modest growth in both revenue and profits is expected to continue into 2024, with hope of a less-disrupted transport market. The future of One Birdcage Walk is inherently connected to the decision on the future of the HQ building. It is likely to close for an extended period while refurbishment work is carried out, but this will not happen during 2024.

During the year, capabilities within OBW were also deployed to support a professional event service for member activities in HQ. This new arrangement has worked well and is widely seen to be adding value. Given the materiality of this internal trading revenue, we have taken care to distinguish this from external income. We will sustain the service but review the trading mechanism in 2024.

Balance sheet

Through the Stephenson LLP fund, we invested in early-stage innovation companies until November 2018, in line with our charitable aim of being an impulse to innovation. Further investment is now on hold, outside of the costs necessary to operate the fund for the remainder of its life. At the end of 2023, we had invested £1.9M in 11 companies (2022: £1.9M in 11). The market value of these investments was £2.6M at the end of 2023 (2022: £3.1M), a decrease of £0.5M (2022: £0.2M increase).

Our listed investments increased to £18.7M (2022: £18.2M) after sales of £0.2M (2022: nil), due to market value movements.

Intangible assets declined by £0.4M (2022: no change) to £3.1M (2022: £3.5M), with amortisation exceeding investment as the value of digital modernisation assets in use has increased.

Tangible fixed assets decreased by £0.2M (2022: £0.4M decrease) to £5.7M (2022: £5.9M). Investment in land and property remains low while the future head office project is in the planning stages.

The pension fund remained at a nil deficit at the end of 2023 (2022: nil). The fund is actually in surplus by £2.3M (2022: £1.3M) but the surplus cannot be recognised as there is no provision for it to be returned to the employer. The gross position of the fund is that a 0.5% reduction in interest rates leads to a £2.7M increase in pension liabilities (2022: £2.6M) but this is substantially hedged with very little net exposure. The aim of the Trustees of the pension fund and the Institution is to transfer the total risk to an acceptable financial vehicle, such as an insurance company, in the medium-term, which requires a significantly larger surplus.

Overall group reserves increased to £34.6M from £33.5M in 2022. The Institution continues to remain financially sound. The Trustee Board is committed to maintaining financial prudence and, in particular, making an overall surplus and increasing free reserves.

Due to recent legal advice, the Trustees have concluded that a 2022 decision to write off a debt owed to IMechE by IMechE's trading subsidiary Professional Engineering Projects Limited (PEP Ltd) was incorrect. Professional advice is that this should be addressed in our 2024 accounts following a revision to the associated agreements. This would restore the Charity's financial position to the same state as it would have been had the write-off never taken place. This has been reported to the Charity Commission in the usual way for such instances, and the Charity Commission have confirmed that this is the appropriate treatment.

Degree of financial dependency

The Institution is dependent on the voluntary efforts of its members. However, there is no significant degree of dependence on any single member or small group of members in respect of voluntary effort or financial contributions.

Income from events and publications is also derived from a significant number of independent sources. However, the success of these activities is dependent on the general state of the economy.

Going concern

The Trustees have considered several factors in concluding that the adoption of a going concern basis in the preparation of these financial statements is appropriate. These factors have included a summary of the key risks and uncertainties in the context of the Institution's operations and a review of the budgets and forecasts, including cash flows and sensitivity analysis. The future forecast considers the mitigating actions the Institution has taken and considers both immediate liquidity and longer-term solvency, together with the impact on reserves.

Working capital requirements are met through a combination of income received from the Institution's activities, including commercial activities undertaken in the Institution's trading subsidiaries. The Institution has the ability to drawdown against funds held within the Institution's unrestricted investment portfolio if required. The Institution does not have any debt facilities but has £0.1M of COVID-19 bounce back loans within the trading subsidiaries.

Membership income is a key income stream and the Institution continues to ensure the delivery of value from being a member to guard against any decline.

IMechE's future financial plans, budgets, reserve levels and cash flow forecasts for a period of more than 12 months from the date of the signature of the accounts have been prepared by management and reviewed by the Trustees. There are no material uncertainties related to events or conditions that cast significant doubt upon the entity's ability to continue as a going concern.

As detailed above, Trustees have reviewed sensitivities and approved a 2024 budget reflecting expected levels of income to increase free reserves by £500K during the year.

Having regard to the above, the Trustees believe it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Summary of funds and investments

General

A description of all the various funds included within the Institution's accounts is provided below.

Investment policy and returns

The Trustee Board has established an investment policy, which is reviewed on an annual basis. The policy includes the following principles:

1. A diversity of investments will be held, in so far as is appropriate to the fund concerned. This may be achieved via a pooled investment vehicle like a unit trust or investment trust.
2. Investment policy will be appropriate to the needs of the fund.
3. Appropriately authorised investment managers will be employed.
4. Appropriately authorised nominees may be employed to hold individual stocks and shares. The investment managers work towards the following objectives:

Reserve Fund, General Trust and James Clayton Trust
Target asset allocations have been set for each fund with the objective of outperforming the relevant composite benchmark by 0.5% over rolling three-year periods. The composite benchmark being calculated using the asset allocations and an appropriate index for the asset class.

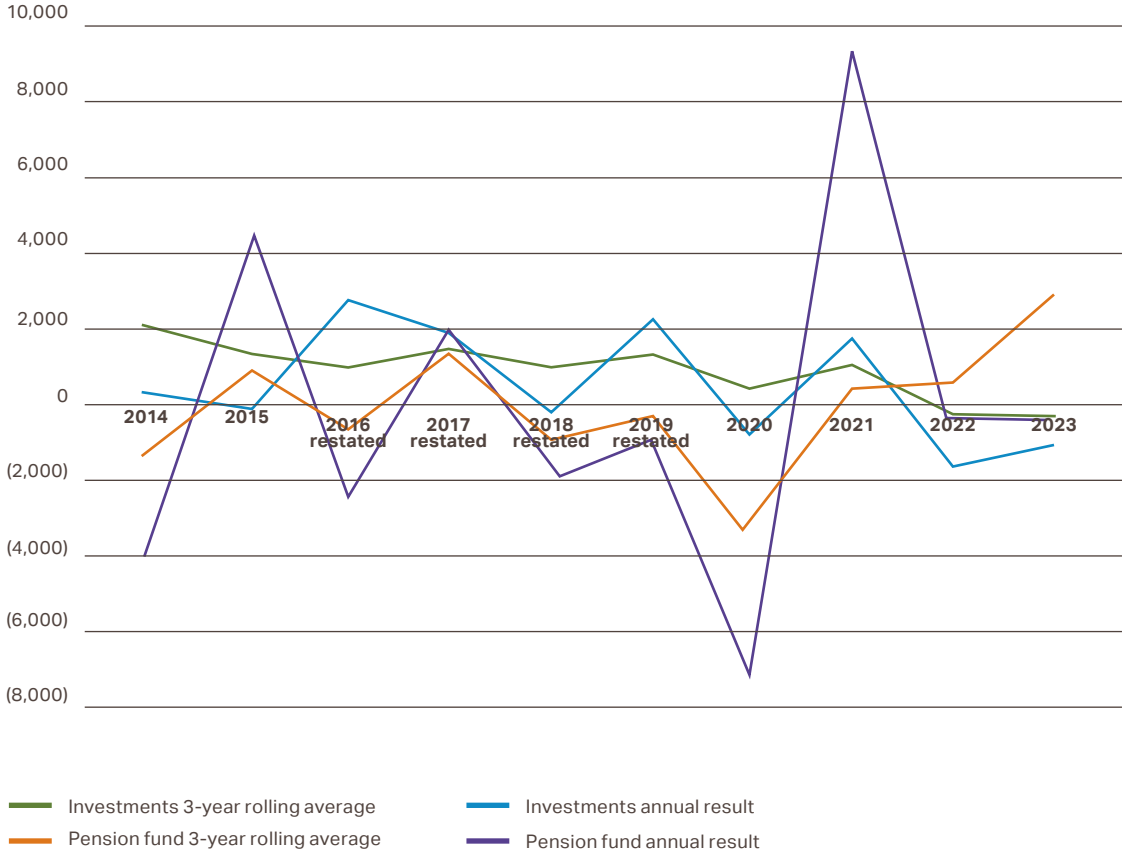
Other Trusts
Funds are invested in special pooled funds restricted to Charity use. It is not appropriate to set individual objectives for these investments. However, performance is compared against statistics prepared by the investment management company.

A summary of the total annual rates of return (income and capital) achieved on investments during 2023 and 2022 is as follows:

	2023	2022
	%	%
Reserve Fund	5.8	(6.7)
General Trust	5.8	(6.8)
James Clayton Trust	5.8	(6.8)
Charities Official Investment Fund income units	12.4	(9.1)
Whitworth - Charishare	7.9	(0.2)
Whitworth - Charinco	6.0	(17.3)

Summary of funds and investments (continued)

Figure 8: Investment and pension fund trends in gains and losses 2014–2023 (£'000s)





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We encourage employee involvement and feedback, facilitated by our Employee Engagement Group and its workstreams.

Independent Auditor's report to the Members and Trustees of the Institution of Mechanical Engineers

Opinion on the financial statements

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 2023 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, Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006, as amended.

We have audited the financial statements of the Institution of Mechanical Engineers ("the Parent Charity") and its subsidiaries ("the Group") for the year ended 31 December 2023, which comprise the consolidated statement of financial activities, consolidated balance sheets, consolidated statement of cash flows and notes to the accounts, 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

Conclusions related to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Charity's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Trustee Board's Report and Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 themselves. 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 and Reports) Regulations 2008 and The Charities Accounts (Scotland) Regulations 2006 requires us to report to you if, in our opinion;

- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is inconsistent in any material respect with the financial statements; or
- adequate and 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 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, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Group'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 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 151 of the Charities Act 2011 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Acts 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.

Extent to which the audit was capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations
Based on:

- Our understanding of the Group and the sector in which it operates;
- Discussion with management and those charged with governance and the Audit and Risk Committee; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations;

we considered the significant laws and regulations to be the Charities Act 2011 in the UK, UK GAAP and UK tax legislation.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the Charity Commission.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit;
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management, the Audit and Risk Committee and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the Engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these; and
- Assessing the design and implementation of controls and procedures relevant to the preparation of the financial statements and the detection and prevention of irregularities.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of control and income recognition.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias, including the valuation and assumptions used to value the defined benefit pension scheme;
- Testing a sample of membership, end point assessment, venue room hire, learning and development, commercial contract, investment, and other income transactions throughout the year and around the year end to ensure that the recognition is in line with the SORP requirements; and
- Incorporating unpredictability into our testing approach through amending the nature and extent of audit procedures.

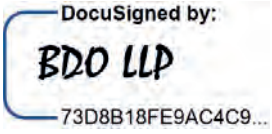
We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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 Part 4 of The Charities (Accounts and Reports) Regulations 2008 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.



BDO LLP, Statutory Auditor
Office Location, UK

Date: 1 August 2024

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 (Reg N OC305127).

Statement of Trustees' responsibilities in respect of Trustees' Annual report and the Financial statements

Under the trust deed and rules of the Charity and charity law, the Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Charity law requires the Trustees to prepare financial statements for each financial year. The Trustees have elected to prepare the financial statements in accordance with FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The group and charity's financial statements are required by law to give a true and fair view of the state of affairs of the group and the Charity and of the Group's excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the Trustees:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements.
- State whether the financial statements comply with the trust deed and rules, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the Charity will continue in business.

The Trustees are required to act in accordance with the trust deed and the rules of the Charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the Charity at that time, and to enable the Trustees to ensure that, where any statements of accounts are prepared by them under section 132(1) of the Charities Act 2011, those statements of accounts comply with the requirements of regulations under that provision. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Charity and to prevent and detect fraud and other irregularities. The Trustees are responsible for the maintenance and integrity of the financial and other information included on the Charity's website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

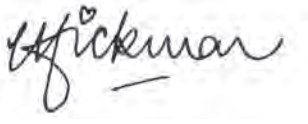
Fundraising

The Charity had no fundraising activities requiring disclosure under S162A of the Charities Act 2011.

Disclosure of Information to Auditor

The Trustees who held office at the date of approval of this Trustees' Annual Report confirm that, so far as they are each aware, there is no relevant audit information of which the Institution's auditor is unaware; and each Trustee has taken all the steps that he/she ought to have taken as a Trustee to make himself/herself aware of any relevant information and to establish that the Institution's auditor is aware of that information. The financial statements have been prepared in accordance with the accounting policies set out in the notes to the accounts and comply with the Charity's governing documents, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, published on 16 July 2014.

This annual report was approved by the Trustee Board on 1 August 2024 and was signed on its behalf by:



Dr Clive Hickman OBE
President



Dr Richard Judge
Chair, Finance Board

Financial statements

Year ended 31 December 2023

Consolidated Statement of Financial Activities

Income and Endowments from:	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2023 Total £'000	Restated 2022 Total £'000
Donations and Legacies		–	22	–	22	21
Charitable Activities						
Membership Subscriptions		13,739	–	–	13,739	12,706
Groups, Divisions and Events		2,114	–	–	2,114	1,621
Professional Development and Membership		198	–	–	198	211
Information and Library Services		5	–	–	5	4
Apprentice End Point Assessment		2,805	–	–	2,805	2,243
Other Trading Activities						
Venue hire, Training, Exam services, Consultancy, Flawed samples		10,076	–	–	10,076	9,826
Marketing, Advertising and Merchandise		29	–	–	29	7
Investments						
Interest and Dividends	14	226	569	–	795	701
Other						
Other income	2	26	–	–	26	4
Rents receivable		439	–	–	439	524
Total		29,657	591	–	30,248	27,868
Expenditure on:						
Raising Funds						
Non-Charitable Trading Activities		9,985	–	–	9,985	10,502
Investment Management Costs		6	9	–	15	16
Charitable Activities						
Groups, Divisions and Events		5,569	–	–	5,569	5,236
Marketing		2,400	–	–	2,400	2,182
Membership Development		2,344	–	–	2,344	2,148
Apprentice End Point Assessment		2,930	–	–	2,930	2,178
Professional Development		1,071	–	–	1,071	914
Information and Library Services		875	–	–	875	804
Membership Subscriptions		2,888	–	–	2,888	2,617
Tenants and Public Facilities		536	–	–	536	495
Prizes, Awards and Scholarships		–	452	–	452	589
Total	3	28,604	461	–	29,065	27,681
Net gains/(losses) on investment assets	13/14	(473)	138	569	234	(1,582)
Net income/(expenditure)		580	268	569	1,417	(1,395)
Transfer between funds		(10)	10	–	–	–
Net income/(expenditure) after transfers		570	278	569	1,417	(1,395)
Other recognised losses						
Actuarial (losses) on defined benefit pension scheme	10	(307)	–	–	(307)	(301)
Net movement in funds		263	278	569	1,110	(1,696)
Reconciliation of funds						
Total funds brought forward	22	19,398	3,438	10,618	33,454	35,150
Total funds carried forward	22	**19,661**	**3,716**	**11,187**	**34,564**	**33,454**

The notes to the accounts numbered 1 to 29 form parts of these accounts.

Statement of Financial Activities

Comparative Information	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Restated 2022 Total £'000
Total income	27,312	556	–	27,868
Total expenditure	(27,110)	(571)	–	(27,681)
Net investment losses	(219)	(139)	(1,224)	(1,582)
Actuarial losses on defined benefit pension scheme	(301)	–	–	(301)
Net movement in funds	**(318)**	**(154)**	**(1,224)**	**(1,696)**

There were no other recognised gains or losses other than those listed above and the net income for the year.

All the Group's financial activities in this and the prior year were continuing.

Consolidated Balance Sheets as at 31 December 2023

	Notes	Group 2023 £'000	Group 2022 £'000	Institution 2023 £'000	Institution 2022 £'000
Fixed Assets					
Intangible assets	11	3,085	3,446	2,802	3,172
Tangible assets	12	5,665	5,897	5,044	5,168
Investments: listed	14	18,685	18,155	11,760	11,366
Investments: mixed motive	13	2,602	3,082	2,602	3,082
Total fixed assets		30,037	30,580	22,208	22,788
Current Assets					
Stocks	15	227	191	11	12
Debtors	16	3,843	3,393	7,226	7,423
Cash at bank and in hand		8,985	7,537	8,273	6,424
Total current assets		13,055	11,121	15,510	13,859
Liabilities					
Creditors: amounts falling due within one year	17	8,486	8,184	7,229	6,687
Net current assets		4,569	2,937	8,281	7,172
Total assets less current liabilities		34,606	33,517	30,489	29,960
Creditors: amounts falling due after one year	18	43	63	–	–
Net assets excluding pension liability		34,564	33,454	30,489	29,960
Defined benefit pension scheme liability	10	–	–	–	–
Total net assets	22	**34,564**	**33,454**	**30,489**	**29,960**
The Funds of the Charity					
Endowment funds		11,187	10,618	6,993	6,632
Restricted income funds		3,716	3,438	927	720
Unrestricted funds		19,661	19,398	22,569	22,608
Total unrestricted funds		19,661	19,398	22,569	22,608
Total Charity funds	21	**34,564**	**33,454**	**30,489**	**29,960**

The consolidated statement of financial activities is for the Group as a whole. The Charity's total income for the year was £20,353k (2022: £18,096k). The Charity's total funds increased by £529k in the year (2022: £2,034k decrease).

The financial statements were approved by the Trustee Board on 1 August 2024 and were signed on its behalf by:



Dr Clive Hickman OBE, President



Dr Richard Judge, Chair, Finance Board

The notes to the accounts numbered 1 to 29 form part of these accounts. Charity Registration No: 206882.

Consolidated Statement of Cash flows

	Notes	2023 £'000	2022 £'000
Cash flows from operating activities:			
Net cash provided by operating activities	25	1,594	848
Cash flows from investing activities:			
Dividends, interest and rent from investments	14	795	701
Purchase of property, plant and equipment	12	(357)	(311)
Proceeds from sale of property, plant and equipment		41	7
Purchase of mixed motive investments	13	(36)	(36)
Purchase of intangible assets	11	(780)	(864)
Proceeds from sale of investments	14	210	–
Net cash used in investing activities		(127)	(503)
Cash flows from financing activities:			
Bank loan repayments		(19)	(18)
Net cash flows used in financing activities		(19)	(18)
Change in cash and cash equivalents in the reporting period		1,448	327
Cash and cash equivalents at the beginning of the reporting period		7,537	7,210
Cash and cash equivalents at the end of the reporting period		8,985	7,537

The notes to the accounts numbered 1 to 29 form part of these accounts.

Group

Analysis of Changes in Net Debt

	Balance 01.01.2023 £'000	CashFlows £'000	Balance 31.12.2023 £'000
Cash and cash equivalents			
Cash awaiting investment	41	3	44
Cash at bank and in hand	7,537	1,448	8,985
	7,578	1,451	9,029
Borrowings			
Debt due within one year	(19)	(1)	(20)
Debt due after one year	(63)	20	(43)
	(82)	19	(63)
Total	**7,496**	**1,470**	**8,966**

Notes to the accounts for the year ended 31 December 2023

1. Accounting Policies

The Charity is registered with the Charity Commission (Reg N. 206882), domiciled in the UK and is a public benefit entity and incorporated by Royal Charter in 1930. The address of the registered office is 1 Birdcage Walk, London SW1H 9JJ.

a) Basis of preparation

The Financial Statements have been prepared in accordance with the Charities SORP, FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and applicable UK charity law.

The Financial statements have been prepared to give a true and fair view and have departed from The Charities (Accounts and Reports) Regulation 2008 only to the extent required to give a true and fair view. This departure has involved following 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 (FRS102) effective 1 January 2019 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005, which has since been withdrawn.

The annual accounts have been prepared on the historical cost basis of accounting, modified by the recognition of certain financial assets and liabilities measured at fair value.

b) Going concern

The Trustees have considered several factors in concluding that the adoption of a going concern basis in the preparation of these financial statements is appropriate. These factors have included a summary of the key risks and uncertainties in the context of the Institution's operations and a review of the budgets and forecasts, including Cash flows and sensitivity analysis. The future forecast considers the mitigating actions the Institution has taken and considers both immediate liquidity and longer-term solvency, together with the impact on reserves.

Working capital requirements are met through a combination of income received from the Institution's activities, including commercial activities undertaken in the Institution's trading subsidiaries. The Institution has the ability to drawdown against funds held within the Institution's unrestricted investment portfolio if required. The Institution does not have any debt facilities but has £0.1M of COVID-19 bounce back loans within the trading subsidiaries.

Membership income is a key income stream and the Institution continues to ensure the delivery of value from being a member to guard against any decline. The experience of 2021 has been incorporated into future forecasts.

1. Accounting Policies (continued)

c) Basis of consolidation

Consolidated figures for the Institution and group companies (see note 2 to the accounts) have been included in these financial statements for the year ended 31 December 2023. Companies acquired by the group are consolidated on an acquisition basis i.e. fair values are attributed to the Group's share of the net tangible assets and where the cost of acquisition (being the fair value of the purchase consideration and the expenses of the acquisition) is greater than the fair values attributable to such net assets, the difference is treated as goodwill. The assets and liabilities of the subsidiaries have been included with those of the Charity on a line by line basis.

d) Income

Income is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. No amounts are included in these financial statements for the services donated by volunteers.

With the exception of Membership Income, all income is included in SOFA when the Institution is legally entitled to the income and the amount can be quantified with reasonable accuracy.

Legacies and donations are recognised when all the criteria have been met; entitlement when the Institution has been notified of distribution or legacy is received, the value is reliably measured and the likelihood of receiving the legacy is probable.

Pecuniary legacies are recognised when probate is in place. Residuary legacies are recognised when probate is granted, a copy of the will has been received to confirm the Institution's entitlement, and there is sufficient information to value them. In practice this is usually when the assets and liabilities statement is received. Reversionary interests involving a life tenant and contentious legacies are not recognised.

Membership subscription income is accounted for on the basis of the amount receivable for the year. Accordingly, the amounts received during the year in relation to future years are deferred. Members who join in the final quarter of the year are not charged subscriptions by the Institution for that year. The annual subscription payment received is treated as relating entirely to the following year and is deferred.

Income from consultancy and flawed samples categories is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. When the outcome cannot be estimated reliably, income is recognised only to the extent of the expenses recognised that are recoverable.

Income from events, apprentice end-point assessment, venue hire, training and exam services, are recognised on the basis of the amount receivable in the period in which the event takes place. Income from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, the amount can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the entity.

Interest and dividends are recognised when receivable.

1. Accounting Policies (continued)

e) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation is calculated so as to write off the cost of fixed assets on a straight line basis at the following rates:

Freehold buildings: Building improvements	2% on original purchases 4% on improvements per annum
Leasehold buildings: Building improvements	2% or over the period of the lease if quicker per annum
Furniture and equipment:	20 - 33.3% per annum
Plant and equipment:	10 - 20% per annum

Freehold land is not depreciated.

Fixed assets are regularly reviewed to consider whether they have been impaired and to ensure that the depreciation costs reflect their working life. Expenditure below £1,000 is not capitalised, except laptops/computers.

f) Goodwill

Goodwill represents the excess of the cost of acquisition of incorporated and unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill shall be considered to have a finite useful life, and shall be amortised on a systematic basis over its economic life of five years.

Where there are indications of impairment, an impairment review is undertaken to assess a recoverable amount, which considers a service potential and not cash flows.

g) Website and digital transformation costs

Website costs are capitalised when it is probable that the expected future economic benefits that are attributable will flow to the Group and their costs can be reliably measured. Website and Digital Transformation costs are initially recognised at cost and amortised over the expected useful life of five years.

h) Impairment of tangible and intangible assets

At each reporting end date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

1. Accounting Policies (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future Cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in SOFA, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

i) Financial assets

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS102 to all of its financial instruments.

Financial assets are recognised in the Charity statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

j) Financial liabilities

Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Other financial liabilities classified as fair value through profit or loss are measured at fair value.

k) Investments

Listed investments are stated at market value, valued at their bid price, at the balance sheet date. It is the Group's policy to keep valuations of stock exchange listed investments up to date, such that when investments are sold there is no gain or loss arising relating to prior years. As a result the statement of financial activities does not distinguish between the valuation adjustments relating to sales and those relating to continued holdings, as they are together treated as changes in the value of the investment portfolio throughout the year.

1. Accounting Policies (continued)

Investments not listed on a recognised stock exchange are valued at fair value, unless there is no reliable basis of valuation, in which case they are valued at cost.

Mixed motive investment
The Institution formed a limited partnership with Stephenson LP in January 2014 to make venture capital investments into a portfolio of companies involved in or associated with young innovative engineering businesses. This investment has a genuine mixed motive because investment is being made both for financial return but also to advance engineering. The investment is held at fair value based on the most recent share sale prices of the underlying investments, less any impairment. If there is objective evidence of impairment, then an immediate impairment loss is recognised in the statement of financial activities.

l) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to Statement of Financial Activities.

m) Expenditure

Expenditure is included in the Statement of Financial Activities on an accruals basis and is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

n) Stocks

Stock classified as finished goods per sale are stated at the lower of cost and net realisable value using the FIFO method. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Work-in progress is assessed on an individual basis based on the stage of completion of the contract which is estimated using combination of the milestones in the contract and the time spent to date compared to the total time expected to be required to undertake the contract. Estimates of the total time required to undertake the contracts are made on a regular basis and subject to management review. These estimates may differ from the actual results due to a variety of factors such as efficiency of working, accuracy of assessment of progress to date and client decision making. See note 15 for the disclosure of the amount of work in progress as at the balance sheet date. Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

o) Retirement benefit

The Charity operates a defined benefit pension scheme which was closed to new members in 2002 and is also closed to future accrual. It also operates a defined contribution scheme open to existing staff. Defined benefit pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. For the defined benefit pension

1. Accounting Policies (continued)

scheme, the current service costs, gains and losses on settlements and curtailments, and administrative costs are charged to expenditure. They are included as part of staff costs. Actuarial gains and losses are recognised immediately in 'Other recognised gains/ (losses)'. For the defined contribution scheme, the amounts charged to expenditure in respect of pension costs and the post-retirement benefits are the contributions payable in the year.

p) Operating leases

Rents payable under operating leases are recognised in the Statement of Financial Activities in the year in which they fall due. Future commitments under operating leases are disclosed in the notes to the financial statements.

q) Grant commitments

Scholarships are awarded for a period of study, usually three academic years, with the students' progress being assessed on an annual basis. Expenditure is not accrued beyond each academic year as future payments are subject to a review by the relevant panel, which therefore has discretion to terminate the funding agreement in case the performance related conditions are not met. Prizes are paid in one instalment at the beginning of the academic year, with the exception of scholarships through the Whitworth fund, annual instalment. Multi-year grants that do not meet the recognition criteria are disclosed as contingent liabilities in the notes to the financial statements.

r) Critical accounting estimates and judgements

In the application of the accounting policies, the Trustees are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. Judgements and estimates are also required for the allocation of support costs to the expenditure headings in the Statement of Financial Activities, as set out in Note 3.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities have been outlined as follows.

- **Intangible fixed assets**

  The majority of the cost of intangible fixed assets are based on the capitalisation of both internal and external staff costs. These are allocated to specific projects based on a monthly review of time spent and development output conducted by the Chief Technology Officer, for the Charity's digital modernisation programme, or the relevant General Manager, for commercial training course development.

  An annual review is conducted to assess the carrying value of the projects against future expected economic benefits.

1. Accounting Policies (continued)

- **Unlisted investments**

  The Group makes an estimate of the fair value of unlisted investments based on the last price paid for shares and subject to an impairment review for any material changes in circumstance since the last share sale.

- **Actuarial assumptions in respect of defined benefit pension schemes**

  The application of actuarial assumptions relating to defined benefit pension schemes is incorporated in the financial statements in accordance with FRS102. In applying FRS102, advice is taken from independent qualified actuaries. In this context, significant judgement is exercised in a number of areas, including future changes in salaries and inflation, mortality rates and the selection of appropriate discount rates.

- **Bad debt provision**

  The Group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtors, the aging profile of debtors and historical experience.

s) Reserves

Unrestricted funds are those available for application against any of the Charity's objectives. Restricted funds are those only available for certain purposes defined by the provider of the original funds. Permanent endowment funds are those where the original gift may not be spent, only any income on those funds, which is placed into a related restricted fund. Expendable endowment funds are those where both the income and the original capital may be spent.

t) Taxation

As a charity the Institution is exempt from corporation tax. The tax expense represents the sum of the corporation tax currently payable and deferred tax in the commercial subsidiaries. The companies' liabilities for current tax are calculated using tax rates that have been enacted or substantively enacted by the reporting end date. Input VAT relating to taxable activities is fully recoverable, and relating to exempt and out of scope activities is irrecoverable. VAT on support costs is partially recoverable, with the recoverable percentage being recalculated each year. Any irrecoverable VAT is recognised as an expense through support costs in the period to which it relates.

u) Heritage assets

Heritage assets comprise:

- printed books
- archives
- works of art and artefacts

Additions to heritage assets are made by donation. Reliable and relevant information on the cost of many of the assets is therefore not readily available and there is a lack of comparable market values. As such, none of these assets are recognised in the accounts. Moreover, the Trustees do not consider that a reliable estimate of the fair value can be obtained without incurring costs that would exceed the benefits provided.

2. Net Incoming/(Outgoing) resources

The consolidated results for the Institution are presented in the statement of financial activities. These include the activity of the parent charity, The Institution of Mechanical Engineers, and the activities of its 100% owned subsidiaries, as detailed below. The incoming resources of the Institution alone for 2023 were £20,348k (2022: £18,096k), and resources expended in 2023 were £19,430k (2022: £18,601k).

Other Income

	2023 £'000	2022 £'000
Administration fee for Whitworth Scholarship Fund	12	–
Profit on disposal of fixed assets	14	4
	26	4

Subsidiary Companies

Professional Engineering Projects Limited, registered in England and Wales (Reg N 01103638), was established by the Institution as an organisation from which it could conduct the majority of its publishing activities, including the magazines that are made available to members. Whilst this main trade was disposed of during 2010, the company continues to carry on trading in non-charitable activities, mainly provision of training to engineers.

The company also has four wholly owned subsidiary companies, IMechE Services Limited (Reg N 01361114), IMechE Fife NDT Limited (Reg N 01917207), Siantonas Ball Limited (Reg N 01655732), Sonaspection Worldwide Limited (Reg N 04891363), all registered in England and Wales, which carry on non-charitable trading activities. These activities are consolidated on a line by line basis with the relevant amounts described as "Other non-charitable trading activities" under Incoming Resources and Resources Expended in the Consolidated Statement of Financial Activities. Both IMechE Engineering Training Solutions Limited (previously Argyll-Ruane Limited) and Siantonas Ball Limited became dormant on 1 January 2014.

Sonaspection Worldwide has two wholly owned subsidiary companies, Sonaspection International Limited (Reg N 02050101) registered in England and Wales and Sonaspection Inc registered in the United States of America, which carry on non-charitable activities. These activities are consolidated at group with the relevant amounts described as "Other non-charitable trading activities" under Incoming Resources and Resources Expended in the Consolidated Statement of Financial Activities.

The whole of the issued share capital of Professional Engineering Projects Limited (£2) is held by nominees on behalf of the Institution. A summary of the subsidiaries profit and loss account is shown below. Audited accounts are filed with the Registrar of Companies for the individual companies. These figures are subject to the adjustments mentioned above prior to their incorporation in the Consolidated Statement of Financial Activities.

The Whitworth Scholarships Fund, Charity Reg N 313756, was established in 1868 under a deed of covenant and trust between Sir Joseph Whitworth and the then President of the Committee of Council on Education. The Fund is now governed under the terms of a Scheme made by the Charity Commissioners for England and Wales dated 11 December 2001, with the Institution of Mechanical Engineers as the controlling entity.

2. Net Incoming/(Outgoing) resources (continued)

Subsidiary Companies 2023

	PEP Ltd	Sona Int'l	Sona Inc	IMechE Services	IMechE Fife NDT
	£'000	£'000	£'000	£'000	£'000
Turnover	6,903	1,942	1,130	–	652
Cost of sales	(2,769)	(1,079)	(630)	–	(342)
Gross profit	**4,134**	**863**	**500**	**–**	**310**
Distribution costs	–	(62)	–	–	–
Administration costs	(3,580)	(812)	(451)	(4)	(318)
Operating profit/(loss)	**554**	**(11)**	**49**	**(4)**	**(8)**
Write down of investment value	(1,240)	–	–	–	–
Dividends receivable	450	–	–	–	–
(Loss)/profit before interest and tax	**(236)**	**(11)**	**49**	**(4)**	**(8)**
Interest payable to the Institution	(287)				
Taxation	–	13	–	–	–
Dividends payable		(450)			
(Loss)/profit for the year	**(523)**	**(448)**	**49**	**(4)**	**(8)**
Total assets	3,446	2,170	430	–	1,112
Total liabilities	(6,633)	(239)	(679)	(28)	(663)
Total funds with (Deficit)/funds	(3,187)	1,931	(249)	(28)	449

Subsidiary Companies 2022

	PEP Ltd	Sona Int'l	Sona Inc	IMechE Services	IMechE Fife NDT
	£'000	£'000	£'000	£'000	£'000
Turnover	6,041	2,557	1,028	–	469
Cost of sales	(2,308)	(1,438)	(710)	–	(354)
Gross profit	**3,733**	**1,119**	**318**	**–**	**115**
Distribution costs	–	(57)	–	–	(1)
Administration costs	(3,812)	(715)	(425)	(3)	(247)
Operating (loss)/profit	**(79)**	**347**	**(107)**	**(3)**	**(133)**
Interest payable to the Institution	(148)	–	–	–	–
(Loss)/profit before tax	**(227)**	**347**	**(107)**	**(3)**	**(133)**
Taxation	–	2	–	–	–
(Loss)/profit for the year	**(227)**	**349**	**(107)**	**(3)**	**(133)**
Total assets	4,707	2,755	588	–	582
Total liabilities	(7,371)	(375)	(860)	(23)	(124)
Total (deficit)/funds	(2,664)	2,380	(272)	(23)	458

3. Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to that category.

For administrative purposes the Institution is divided into a number of directorates and then subdivided into departments. Accounting records permit the costs and revenues of all departments to be determined accurately.

The classification of costs in the Consolidated Statement of Financial Activities utilises this information to show expenditure broken-down into broad functional areas.

Where costs cannot be directly attributed to a particular heading, they have been allocated to activities on the basis of headcount and floor area.

Total Resources Expended 2023

	Direct Costs	Allocated Support Costs	Total 2023
	£'000	£'000	£'000
Raising funds			
Non-Charitable Activities	9,533	452	9,985
Investment Management Costs	15	–	15
Charitable activities			
Marketing and Policy	929	1,471	2,400
Groups, Divisions and Events	3,522	2,047	5.569
Business Development	1,179	1,165	2,344
Apprentice End Point Assessment	2,605	325	2,930
Professional Development	405	666	1,071
Library	522	353	875
Membership	1,104	1,784	2,888
Public facilities – Birdcage Walk	–	536	536
Prizes, Awards and Scholarships	452	–	452
Total resources expended	**20,266**	**8,799**	**29,065**

Total Resources Expended 2022 (restated)

	£'000	£'000	£'000
Raising funds			
Non-Charitable activities	9,691	811	10,502
Investment Management Costs	16	–	16
Charitable activities			
Marketing and Policy	993	1,189	2,182
Groups, Divisions and Events	3,516	1,720	5,236
Membership Development	1,141	1,007	2,148
Apprentice End Point Assessment	1,956	222	2,178
Professional Development	353	561	914
Library	484	320	804
Membership	1,069	1,548	2,617
Public Facilities – Birdcage Walk	–	495	495
Prizes, Awards and Scholarships	589	–	589
Total resources expended	**19,808**	**7,873**	**27,681**

3. Expenditure (continued)

Allocated Support Costs
2023

	Governance & Management	Finance	Information Technology	Facilities & Depreciation	Defined Benefit Pension Scheme	Total
	£'000	£'000	£'000	£'000	£'000	**£'000**
Non-Charitable Activities	18	23	262	149	–	**452**
Marketing	633	163	254	383	38	**1,471**
Groups, Divisions and Events	882	227	353	532	53	**2,047**
Business Development	502	129	201	303	30	**1,165**
Apprentice End Point Assessment	144	37	57	87	–	**325**
Professional Development	287	74	115	173	17	**666**
Information and Library Services	144	37	57	106	9	**353**
Membership Subscriptions	768	198	308	464	46	**1,784**
Tenants and Public Facilities	–	–	–	536	–	**536**
Total	**3,378**	**888**	**1,607**	**2,733**	**193**	**8,799**

2022

	£'000	£'000	£'000	£'000	£'000	**£'000**
Non-Charitable Activities	137	180	356	138	–	**811**
Marketing	465	87	261	339	37	**1,189**
Groups, Divisions and Events	673	126	377	490	54	**1,720**
Business Development	394	74	220	287	32	**1,007**
Apprentice End Point Assessment	90	17	50	65	–	**222**
Professional Development	219	41	123	160	18	**561**
Information and Library Services	120	22	67	101	10	**320**
Membership Subscriptions	606	113	339	441	49	**1,548**
Tenants and Public Facilities	–	–	–	495	–	**495**
Total support costs allocated	**2,704**	**660**	**1,793**	**2,516**	**200**	**7,873**

Support costs comprises finance, IT, HR, maintenance and running costs of One Birdcage Walk, closed defined benefit pension costs, governance and management of IMechE.

These costs are allocated to IMechE's charitable and commercial activities on a pro-rata basis using headcount or floor area.

4. Taxation

The Institution is considered to pass the tests set out in Paragraph 1, Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable trust for UK income tax purposes. Accordingly, the Charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Part 10 of the Income Tax Act 2007 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.

The Charity's trading subsidiaries are subject to corporation tax; however all of their taxable profits are paid to the Institution under gift aid.

5. Transactions with members of the Trustee Board

	2023 £'000	2022 £'000
Travel and subsistence expenses	33	25
	No.	**No.**
Number of members reimbursed	14	6

All Trustee costs are reimbursements to Trustees for costs incurred in fulfilling their duties.

The Trustees nor any person connected with them receive remuneration.

6. Indemnity Insurance

	2023 £'000	2022 £'000
Indemnity insurance premiums paid	11	10

During 2023 the Institution paid for two insurance policies, covering professional indemnity and the liabilities of Trustees and 'directors and officers'. Cover applies to the Trustee Board, ordinary members involved with Institution affairs and employees.

7. Staff employed

	2023	2022
	No.	No.
Average numbers of staff employed throughout the year:		
The Institution of Mechanical Engineers	149	137
Professional Engineering Projects Limited	45	49
Sonaspection International Limited	19	21
Sonaspection Incorporated	9	11
IMechE Fife NDT Limited	5	6
Total employees	**227**	**224**

8. Employment costs

	2023	2022
	£'000	£'000
Salaries and benefits	10,636	9,908
Employer's social security costs	1,045	1,046
Employer's pension costs	551	557
Total	**12,232**	**11,511**

The numbers of employees whose emoluments, excluding employer's pension contributions, exceeded £60,000 are analysed as follows:

	2023	2022
	No.	No.
£60,001 – £70,000	16	15
£70,001 – £80,000	13	9
£80,001 – £90,000	4	6
£90,001 – £100,000	6	4
£100,001 – £110,000	1	2
£110,001 – £120,000	1	1
£120,001 – £130,000	1	1
£130,001 – £140,000	1	–
£150,001 – £160,000	–	–
£170,001 – £180,000	–	1
£180,001 – £190,000	2	1
Total	**45**	**40**

42 of the above employees are members of the defined contribution scheme and none (2022: 40) are active members of the defined benefit scheme. The Institution contributed £237,302 as employer pension contributions (2022: £233,403) for these members into the defined contribution scheme.

During the year, key management received remunerations and benefits of £1,074,506 (2022: £733,328). The remuneration of key management consists of salary, employers' national insurance contributions, pension contributions and benefits in kind.
Number of Directors in 2023: 6 (2022: 5)

8. Employment costs (continued)

The Charity designated six directors as key management personnel.

Highest paid Director - Dr Alice Bunn (2022: Dr Alice Bunn)

	2023 £'000	2022 £'000
Salary	181	163
Benefits	4	10
Total	**185**	**173**

Two employees were made redundant during the year (2022:6). The cost of redundancies of £6,774 was paid during 2023 (2022: £141,292). Included within these costs were ex-gratia costs of £2,538 payable to one person (2022: £43,562 to five people).

9. Auditor's remuneration

	2023 £'000	2022 £'000
Fees for: the audit of group financial statements	116	101
Fees for: the audit of other group companies	37	47
Fees for: in relation to the prior year audit	–	7
Total	**153**	**155**

10. Pensions

The Institution operates a defined benefit pension arrangement called the Institution of Mechanical Engineers Staff Pension & Life Assurance Scheme (the Scheme). The Scheme is closed to new members with an effective date of 5 September 2002, and is closed to future accrual. The most recent comprehensive actuarial valuation of the Scheme was carried out as at 31 December 2023, and the next valuation of the Scheme is due as at 31 December 2026.

A defined contribution pension plan has been established for employees who are not eligible to join the defined benefit pension scheme. The Institution has agreed to match employee contributions to the defined contribution plan up to a maximum of 10% of salary. There is an outstanding contribution at the end of the financial year of £128,138 (2022: £112,661).

The pension cost charge for the period represents contributions payable by the Institution to the defined benefit pension plan and amounted to £500,000 (2022: £500,000).

10. Pensions (continued)

Assumptions

	2023 %	2022 %
Price inflation (RPI)	2.90	3.00
Price inflation (CPI)	2.50	2.60
Salary increases	3.40	3.50
Return on assets	*	*
Discount rate	4.50	4.70

* Equal to the discount rate (in line with FRS102).

Mortality assumptions used in 2023 and 2022 are based on the S3PxA tables adjusted to reflect the broad wealth characteristics of each member. Future improvements are assumed to be in line with the CMI projection model, assuming improvements have peaked. The long term improvement is assumed to be 1.25% p.a. (2022: 1.25% p.a.), with weight parameters of 25% (2022: 15%). Members are assumed to take 80% of the maximum cash at retirement.

The assumptions result in life expectancies as follows:

	31/12/23 years	31/12/22 years
Male aged 45	88.6	87.7
Male aged 65	87.4	86.5
Female aged 45	91.5	90.6
Female aged 65	90.1	89.2

Current asset split

	Bid values as at 31 Dec 2023 £'000
Equities	18,263
Liability Driven Investments	17,700
Corporate Bonds	4,255
Global Asset Backed Securities	2,060
Cash	168
Annuities	35
Total assets	**42,481**

10. Pensions (continued)

Balance Sheet

	2023 £'000	2022 £'000
Fair value of plan assets	42,481	40,370
Present value of funded obligations	(40,183)	(39,067)
Surplus in scheme	2,298	1,303
Effect of asset ceiling	(2,298)	(1,303)
Net defined benefit asset	**2,298**	**1,303**

Amount Recognised in SOFA

	2023 £'000	2022 £'000
Current service cost	200	200
Interest on liabilities	1,790	1,071
Interest on assets	(1,858)	(1,108)
Interest on effect of asset ceiling	61	35
Total charge to SOFA	**193**	**198**

Remeasurements over the period

	2023 £'000	2022 £'000
(Gain)/Loss on assets in excess of interest	(1,947)	21,387
Experience losses on liabilities	596	2,048
Gains from changes to demographic assumptions	(110)	(719)
Losses/(gains) from changes to financial assumptions	834	(21,762)
Losses/(gains) from change in effect of asset ceiling	934	(653)
Total remeasurements	**307**	**301**

Change in the Value of Assets

	2023 £'000	2022 £'000
Fair value of assets at start of period	40,370	62,437
Interest on assets	1,858	1,108
Company contributions	500	500
Benefits paid (including expenses)	(2,194)	(2,288)
Return on assets less interest	1,947	(21,387)
Fair value of assets at end of period	42,481	40,370

Actuarial return on assets	**3,805**

10. Pensions (continued)

Change in Value of the DB Liabilities

	2023 £'000	2022 £'000
Value of liabilities at start of period	**39,067**	**60,516**
Current service cost	200	200
Interest on liabilities	1,790	1,071
Benefits paid (including expenses)	(2,194)	(2,288)
Experience losses on liabilities	596	2,048
Changes to demographic assumptions	(110)	(719)
Changes to financial assumptions	834	(21,762)
Value of liabilities at end of period	**40,183**	**39,066**

Reconciliation of Effect of Asset Ceiling

	2023 £'000	2022 £'000
Effect of asset ceiling at start of period	**1,303**	**1,921**
Interest on effect of asset ceiling	61	35
Actuarial losses/(gains) on effect of asset ceiling	934	(653)
Effect of asset ceiling at end of period	**2,298**	**1,303**

Sensitivity of the Value placed on the Liabilities

	Approximate effect on liability £'000
Discount rate -0.5% p.a.	+ 2,662
Inflation +0.5% p.a.	+ 1,301
Long term rate of mortality improvement increased to 1.5% p.a.	+ 272

Projected SOFA Charge for next period

	2024 £'000
Current service cost	200
Interest on liabilities	1,766
Interest on assets	(1,876)
Interest on effect of asset ceiling	103
Total charge to SOFA	**193**

The Institution expects to pay contributions of £500,000 in the year to 31 December 2024.

11. Fixed assets – Intangible assets

Group

	Goodwill	Website & DT costs	WIP	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2023	5,232	6,569	–	11,801
Additions	–	590	190	780
Disposals, movements	–	–	–	–
At 31 December 2023	5,232	7,159	190	12,581
Depreciation				
At 1 January 2023	5,232	3,123	–	8,355
Amortisation charged	–	1,141	–	1,141
Disposals, movements	–	–	–	–
At 31 December 2023	5,232	4,264	–	9,496
Net Book Value				
At 31 December 2023	–	2,895	190	3,085
At 1 January 2023	–	3,446	–	3,446

Institution

	£'000	£'000	£'000
Cost			
At 1 January 2023	6,099	–	6,099
Additions	502	183	685
At 31 December 2023	6,601	183	6,784
Depreciation			
At 1 January 2023	2,927	–	2,927
Amortisation charged	1,055	–	1,055
Impairment	–	–	–
At 31 December 2023	3,982	–	3,982
Net Book Value			
At 31 December 2023	2,619	183	2,802
At 1 January 2023	3,172	–	3,172

Website and digital modernisation programme, platform costs

The intangible assets for the Institution is represented by Website and Digital Modernisation (DM) costs. The website development was completed in March 2016 and begun being amortised from April. The DM projects started to come into use during 2019 although there are still significant amounts still in development. Both website and DM costs were purchased and developed by the Institution.

12. Fixed assets – Tangible assets

Group

	Land & Property	Furniture & Equipment	Total
	£'000	£'000	£'000
Cost			
At 1 January 2023	10,813	2,548	13,361
Additions	70	287	357
Disposals, movements	–	(50)	(50)
At 31 December 2023	10,883	2,785	13,668
Depreciation			
At 1 January 2023	5,538	1,926	7,464
Disposals, movements	–	(32)	(32)
Amount charged	352	219	571
At 31 December 2023	5,890	2,113	8,003
Net Book Value			
At 31 December 2023	4,993	672	5,665
At 1 January 2023	**5,275**	**622**	**5,897**

Institution

	£'000	£'000	£'000
Cost			
At 1 January 2023	10,360	1,173	11,533
Additions	66	253	319
At 31 December 2023	10,426	1,426	11,852
Depreciation			
At 1 January 2023	5,413	952	6,365
Amount charged	300	143	443
At 31 December 2023	5,713	1,095	6,808
Net Book Value			
At 31 December 2023	4,713	331	5,044
At 1 January 2023	**4,947**	**221**	**5,168**

The Institution's head office at One Birdcage Walk is included in Land and Property above at its depreciated historical cost. The Trustees believe that its open market value is significantly in excess of this historical cost based on carrying value.

The Institution owns the freehold of One Birdcage Walk and its head office. Whilst part of the building is let out to third parties, the entire property is accounted for within tangible fixed assets at cost less depreciation as the fair value of the investment property component cannot be reliably measured without undue cost or effort.

12. Fixed assets – Tangible assets (continued)

Heritage assets

The Institution holds a collection of heritage assets relating to the history of the Institution itself and the wider history of mechanical engineering, which includes printed works, pictures, and other artefacts. All these items have been donated to the Institution some time ago and so information on their cost or valuation is not available and cannot be obtained at a cost commensurate with the benefit to the users of the accounts and the Charity.

The collection is broadly split into the following categories:

Printed works

The Institution has one of the strongest specialist engineering libraries in the UK, holding unparalleled physical collections relating to mechanical engineering and comprising over 90,000 titles. These range from very early works such as Theatrum instrumentorum et machinarum, published in 1578, to extensive scarce nineteenth— and early twentieth— century works to current reference works and British Standards. Subjects covered include fluid mechanics, tribology, combustion engines, automotive engineering, environment and emissions, risk and reliability, energy, machine tools and pressure vessels.

Archives

The archive collection dates from 1726 and is comprised of documents, volumes, engineering drawings, digital files and an extensive photographic collection relating to engineers, engineering firms and engineering products. The collection also includes the business and administrative records of the Institution of Mechanical Engineers as well as the Institution of Locomotive Engineers and the Institution of Automobile Engineers.

Works of art and artefacts

The collection is comprised of over 50 portraits and busts of prominent engineers including many former Presidents of the Institution and over 100 artefacts including models, instruments and personal items of engineers.

The Institution's collections are managed by the Information and Library Service according to the relevant professional standards for each format of material. Expenditure, which in the Trustees' view is required to preserve or clearly prevent deterioration of individual collection items, is recognised in the income and expenditure account when it is incurred.

There have been nil donations made in 2023 (2022: 4) No further additions or disposals of heritage assets were made in the last three years.

13. Investments – Mixed motive

Group and Institution

Analysis of investments UK	2023 Cost £'000	2023 Market Value £'000	2022 Cost £'000	2022 Market Value £'000
Stephenson LLP	1,915	2,602	1,879	3,082

Movement of investments	2023 £'000	2022 £'000
Market value at 1 January	3,082	2,907
Acquisitions	36	36
Net investment (loss)/gain	(516)	139
Market value at 31 December	2,602	3,082
Unrealised investment gain at 31 December	**677**	**1,193**

14. Fixed Assets – Investments

Group

Analysis of investments UK	2023 Cost £'000	2023 Market Value £'000	2022 Cost £'000	2022 Market Value £'000
Fixed Interest Unit Trusts	170	483	170	474
Equities Unit Trusts	1,257	6,442	1,312	6,314
Charities Official Inv. Fund Income Units	1,067	3,380	1,066	3,091
Cash	44	44	41	41
Property – let on 999 year lease	9	9	9	9
	2,547	10,358	2,598	9,929
Multi Asset Funds	7,801	8,327	7,815	8,226
Total Investments	10,347	18,685	10,413	18,155

14. Fixed assets – Investments (continued)

Analysis of funds and ranges

	2023		2022	
	Cost	Market Value	Cost	Market Value
	£'000	£'000	£'000	£'000
Reserve Fund – Unrestricted				
Free range	3,024	3,152	3,028	3,111
	3,024	3,152	3,028	3,111
Whitworth Scholarships Fund				
Restricted	765	2,731	819	2,803
Endowment	662	4,194	663	3,986
	1,427	6,925	1,482	6,789
General Trust				
Wider range	3,373	3,678	3,378	3,632
	3,373	3,678	3,378	3,632
James Clayton				
Wider range	1,449	1,542	1,450	1,523
Special – property	9	9	9	9
	1,458	1,551	1,459	1,532
Education and Research				
Charities Official Inv. Fund Income Units	829	2,602	829	2,380
Sundry Small Trusts				
Charities Official Inv. Fund Income Units	237	777	237	711
	10,348	**18,685**	**10,413**	**18,155**

The above figures refer to investments held by the Group, the figures for the Institution exclude the investments held by the Whitworth Scholarships Fund.

The investments of the Reserve Fund, General Trust and James Clayton Trust are managed by Schroder & Co Limited. Investments of the Whitworth Scholarships Fund are managed by Blackrock Investment Management (UK) Limited. The let property is part of the James Clayton Trust Fund and was included as part of assets left to the Institution in the will of the late James Clayton. A summary of the investment powers can be found in the Administrative Details section.

The carrying value of investments in subsidiaries amounted to £2.

14. Fixed assets – Investments (continued)

Movement of investments	2023 £'000	2022 £'000
Market value at 1 January	18,114	19,835
Sales proceeds	(210)	–
Net investment gain / (loss)	737	(1,721)
Market value (excluding cash) at 31 December	**18,641**	**18,114**
Cash awaiting investment	44	41
Total market value at 31 December	18,685	18,155
Historic cost at 31 December	(10,348)	(10,413)
Unrealised investment gain at 31 December	**8,337**	**7,742**

Interest and dividends	2023 £'000	2022 £'000
Dividends receivable from unit trusts	699	689
Bank interest - general funds	96	12
	795	**701**

All the dividend and loan stock interest arises from the investments detailed above.

15. Stocks

	Group		Institution	
	2023 £'000	**2022** £'000	**2023** £'000	**2022** £'000
Work in progress	51	29	–	–
Finished goods and goods for resale	176	162	11	12
	227	**191**	**11**	**12**

16. Debtors

	Group		Institution	
Amounts due within 1 year:	**2023** £'000	**2022** £'000	**2023** £'000	**2022** £'000
Trade debtors	2,428	2,439	666	664
Other debtors incl VAT, other taxes	213	57	203	55
Prepayments and accrued income	1,202	897	912	699
Amounts due from group companies	–	–	1,166	1,726
	3,843	**3,393**	**2,947**	**3,144**
Amounts due after more than 1 year:				
Loans due from group companies	–	–	4,279	4,279
	3,843	**3,393**	**7,226**	**7,423**

Loans from group companies are charged interest at a rate of 2% above the National Westminster Bank base rate.

The loan was provided to Professional Engineering Projects Limited to permanently fund the acquisitions of the trading companies acquired between 2011 and 2015. It is repayable on 53 weeks' notice or by any net proceeds of the sale of the acquired companies.

As a result of recent legal advice, the trustees have concluded that a decision made in 2022, to write-off a debt owed to IMechE by IMechE's trading subsidiary Professional Engineering Projects Limited ('PEP Limited'), was incorrect. Professional advice is that this should be addressed in our 2024 accounts and should restore the Charity's financial position to that same state as it would have been had the write-off never taken place. This has been reported to the Charity Commission in the usual way for such instances, and the Charity Commission have confirmed that this is the appropriate treatment.'

17. Creditors – Amounts falling due within one year

	Group		Institution	
	2023 £'000	**2022** £'000	**2023** £'000	**2022** £'000
Trade creditors	1,045	866	698	586
Other creditors	192	156	178	157
Amounts due to group companies	–	-	389	–
Accruals	1,229	1,429	716	879
Grants payable	45	174	–	–
Bank loan	20	19	–	–
Taxation and social security	614	1,021	554	928
	3,145	**3,665**	**2,535**	**2,550**
Deferred income	5,341	4,519	4,694	4,137
Total creditors	**8,486**	**8,184**	**7,229**	**6,687**

Deferred income represents the value of membership subscriptions, property rents, and event income received in respect of the next calendar year.

17. Creditors – Amounts falling due within one year (continued)

Reconciliation of deferred income:

	Group		Institution	
	2023 £'000	**2022** £'000	**2023** £'000	**2022** £'000
Balance at 1 January	4,519	4,814	4,137	4,267
Amount released to income	(4,806)	(4,806)	(4,264)	(4,264)
Amount deferred in the year	5,628	4,511	4,821	4,134
Balance at 31 December	**5,341**	**4,519**	**4,694**	**4,137**

18. Creditors – Amounts falling due greater than one year

	Group		Institution	
	2023 £'000	**2022** £'000	**2023** £'000	**2022** £'000
Bank loan	43	63	–	–

The bank loans were issued under the COVID-19 'Bounce-back' scheme in January 2021. No interest charges or repayments were due for the first 12 months. The loan now bears interest at 2.5% and is repayable over a five year period.

19. Operating Lease commitment

The operating lease charges represent leasehold leases from third parties. The leases are negotiated over terms of 10 years and rentals are fixed for two years. All leases include a provision for five-yearly upward rent reviews according to prevailing market conditions. The next rent review will take place in 2024. The total of future minimum lease payments under non-cancellable operating leases for each of the following periods is:

	2023 £'000	**2022** £'000
Within one year	111	115
Between one and five years	494	475
Over five years	152	251
	757	**841**

20. Grant commitments

These sums have been provisionally approved as grants to be made to current scholars for completion of their studies. Because the Trustees have further actions to take on them before releasing for payment, they have not been accrued in this year's accounts. No discounting has been applied to grant commitments due in more than one year.

	Group		Institution	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Scholarship commitments due within one year	204	153	38	82
Scholarship commitments due after one year	242	395	8	46
Total scholarship commitments	**446**	**548**	**46**	**128**

21. Analysis of Group Net Assets between funds

Group

Fund balances at 31 December 2023 are represented by:	Unrestricted £'000	Endowment £'000	Restricted £'000	2023 Total £'000
Intangible fixed assets	3,085	–	–	3,085
Tangible fixed assets	5,665	–	–	5,665
Investments: listed	3,152	12,794	2,739	18,685
Investments: social	2,602	–	–	2,602
Current assets and liabilities	5,200	(1,607)	977	4,570
Non-current liabilities	(43)	–	–	(43)
	19,661	**11,187**	**3,716**	**34,564**

Fund balances at 31 December 2022 are represented by:	£'000	£'000	£'000	2022 Total £'000
Intangible fixed assets	3,446	–	–	3,446
Tangible fixed assets	5,897	–	–	5,897
Investments: listed	3,111	12,218	2,826	18,155
Investments: social	3,082	–	–	3,082
Current assets and liabilities	3,925	(1,600)	612	2,937
Non-current liabilities	(63)	–	–	(63)
	19,398	**10,618**	**3,438**	**33,454**

21. Analysis of Group Net Assets Between Funds (continued)

Institution

Fund balances at 31 December 2023 are represented by:	Unrestricted £'000	Endowment £'000	Restricted £'000	2023 Total £'000
Intangible fixed assets	2,802	–	–	2,802
Tangible fixed assets	5,044	–	–	5,044
Investments: listed	3,152	8,600	8	11,760
Investments: social	2,602	–	–	2,602
Current assets and liabilities	8,969	(1,607)	919	8,281
	22,569	**6,993**	**927**	**30,489**

Fund balances at 31 December 2022 are represented by:	£'000	£'000	£'000	2022 Total £'000
Intangible fixed assets	3,172	–	–	3,172
Tangible fixed assets	5,168	–	–	5,168
Investments: listed	3,111	8,232	23	11,366
Investments: social	3,082	–	–	3,082
Current assets and liabilities	8,075	(1,600)	697	7,172
	22,608	**6,632**	**720**	**29,960**

22. Capital and Income Funds – analysis

Group

	Balance 01.01.2023 £'000	Incoming Resources £'000	Resources Expended £'000	Losses £'000	Transfer	Balance 31.12.2023 £'000
Unrestricted funds						
Institution, reserve fund and PEP Ltd	19,398	29,657	(28,604)	(780)	(10)	19,661
Restricted funds						
Whitworth Scholarships Fund	2,718	240	(308)	138	–	2,788
General Trust (includes legacy)	–	163	(80)	–	–	83
James Clayton Trust	81	69	(29)	–	–	121
Trust for Education and Research	365	73	(36)	–	–	402
Clive Hickman Fund	–	22	–	–	–	22
Sundry small trusts	274	24	(8)	–	10	300
	3,438	591	(461)	138	10	3,716
Endowment funds						
Whitworth Scholarships Fund	3,986	–	–	208	–	4,194
General Trust	2,545	–	–	51	–	2,596
James Clayton Trust	1,459	–	–	21	–	1,480
Trust for Education and Research	2,113	–	–	222	–	2,335
Sundry small trusts	515	–	–	67	–	582
	10,618	–	–	569	–	11,187
Total funds	**33,454**	**30,248**	**(29,065)**	**(73)**	**–**	**34,564**

22. Capital and income funds – Analysis (continued)

Institution

	Balance 01.01.2023 £'000	Incoming Resources £'000	Resources Expended £'000	Losses £'000	Transfer	Balance 31.12.2023 £'000
Unrestricted funds						
Institution, Reserve Fund	22,608	20,002	(19,252)	(780)	(10)	22,568
Restricted funds						
General Trust (includes legacy)	–	163	(80)	–	–	83
James Clayton Trust	81	69	(29)	–	–	121
Trust for Education and Research	365	73	(36)	–	–	402
Clive Hickman Fund	–	22	–	–	–	22
Sundry small trusts	274	23	(8)	–	10	299
	720	350	(153)	–	10	927
Endowment funds						
General Trust	2,545	–	–	51	–	2,596
James Clayton Trust	1,459	–	–	21	–	1,480
Trust for Education and Research	2,113	–	–	222	–	2,335
Sundry small trusts	515	–	–	67	–	582
	6,632	–	–	361	–	6,993
Total funds	**29,960**	**20,352**	**(19,405)**	**(419)**	**–**	**30,489**

23. Trust and Prize Fund individual accounts

General Trust

Benefactors comprise

James Bates
Horace Bedford
Charles Sharpe Beecher
William Bennett
Joseph Bramah
T H Carr
Thomas Andrew Common
Gresham Cooke
Winifred Smart Crabtree
George Curry
Bernard Incledon Day
Bryan Donkin
H V Disney
A H Duncan
Christian Peter Dunkel
John Edward Elliott
James Moir Forbes
Sir Hugh Ford
Winifred Foreman
Andrew Fraser
Thomas Lowe Gray
Donald Julius Groen
Thomas Bernard Hall
Herbert Edward Hancocke
Francis Hewlett
Lord Hinton of Bankside
Shirley Nelson Howe
Robert Herbert Innes
Kenneth Harris James
Anne Labrow
Olive Mary Main
Ernest William Moss
The Reactionaries
Charles Howard Readman
William Sweet Smith
A M Strickland
Clifford S Steadman
Thomas Stephen
Thatcher Bros.
Fredrick Barnes Waldron
Edwin Walker
Neil Watson
Viscount Weir
Frau May Borner Wylie

Trust for Education and Research

Benefactors and Predecessor Trusts comprise

John F Alcock Memorial Prize
Carl Louis Breedon
Henry Stacey Cattermole
Engineering Applied to Agriculture Filtration
M M Flatman
Thomas Hawksley
Helen-Shaw National Certificate
Mrs P M Lowery
Manville Bequest Scholarship
E May
Ludwig Mond
F G Moore
Arthur Morley Higher National Diploma
John Player Lectureship
Raymond Coleman Prescott Scholarship
William Alexander Agnew Meritorious
Alastair Graham-Bryce
Frank Radcliffe
Alfred Rosling Bennett Premium
Clarence Noel Goodall
Charles S Lake
Rover Midlander
T A Stewart Dyer
Fredrick Harvey Trevithick
Sir Seymour Briscoe Tritton
Stanley Herbert Whitelegg
Safety Award in Mech. Engineering Starley Premium
George Stephenson Research
Herbert Ackroyd Stuart
The Students Aid
Water Arbitration
Willans Premium
L Marson
Margaret Winifred Astridge

The above trust funds are under the trusteeship of the Institution of Mechanical Engineers. Because of the limited space available, the information presented is, of necessity, brief. If you would like more details, please contact the Secretary to the Trustee Board Awards Committee.

24. Related Party transactions

	2023 £'000	2022 £'000
Amounts due from Professional Engineering Projects Limited	168	1,050
Amounts due from IMechE Services Limited	18	17
Amounts due from Sonaspection International Limited	12	68
Amounts due from IMechE Fife NDT Limited	571	442
Loan due from Professional Engineering Projects Limited	4,279	4,279

All amounts are considered to be repayable on demand during the year except the loan which has a 53-week notice period of repayment

	2023 £'000	2022 £'000
Transactions with Professional Engineering Projects Limited	–	(4)
Professional Engineering Projects Limited		
Amounts due from/to Siantonas Ball Limited	(223)	(223)
Amounts due from/to IMechE Fife NDT Limited	(218)	(218)
Amounts due from/to Sonaspection International Limited	(69)	(158)
Transactions with IMechE Fife NTD Limited	63	106
Transactions with Sonaspection International Limited	13	(90)

Dr Clive Hickman, appointed as Trustee on 25 May 2022, is the Chair at The Manufacturing Technology Centre Limited and its subsidiary, MTC Operations Limited. In 2023, the Institution and its subsidiaries paid the MTC Group £32,684 (2022: £26,157) for event attendance, and catering and venue hire services. The Institution and its subsidiaries charged the MTC Group Nil (2022: £17,992) for event attendance, accreditation fees, and standard samples. At 31 December 2023, the balance receivable was Nil (2022: nil) and the balance payable was Nil (2022: nil). Dr Clive Hickman made a donation of £22,125 (2022:nil)

Neil Kelly is a Director of Sonaspection International Limited appointed on 29th June 2020, whose close related family member is the owner of Kelly Contracting. Kelly Contracting provide electrical material and labour and have been providing a service for a number of years. Kelly Contracting charged £889 during the year to 31 December 2023 (2022: £3,222). Kelly Contracting has a balance payable as at 31 December 2023 of Nil (2022: nil).

25. Reconciliation of Net Income/(Expenditure) to net Cash flow from Operating activities

	2023 £'000	2022 £'000
Net income/(expenditure) for the reporting period (as per the statement of financial activities):	1,417	(1,395)
Adjustments for:		
Gain on disposal of tangible assets	(14)	(4)
Amortisation	1,141	948
Depreciation charges	571	710
Dividends and interest	(795)	(701)
Increase in debtors	(450)	(218)
Increase in creditors excluding loans	301	172
(Increase)/decrease in stocks	(36)	55
(Gain)/losses on investments	(234)	1,582
Net cash provided by operating activities before pension scheme costs	1,901	1,149
Decrease in defined benefit pension scheme costs	(307)	(301)
Net cash provided by operating activities	1,594	848

26. Financial Instruments

	Group		Institution	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Financial assets measured at amortised cost	11,709	10,224	9,031	7,208
Financial liabilities measured at amortised cost	2,530	2,707	1,590	1,622
Financial assets measured at fair value	21,287	21,237	14,362	14,448

27. Consolidated Statement of Financial activities

Income and Endowments from:	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2022 Total £'000	Restated 2021 Total £'000
Donations and Legacies	21	–	–	21	113
Charitable Activities					
Membership Subscriptions	12,706	–	–	12,706	12,436
Groups, Divisions and Events	1,621	–	–	1,621	1,117
Professional Development and Membership	211	–	–	211	174
Information and Library Services	4	–	–	4	3
Apprentice End Point Assessment	2,243	–	–	2,243	1,172
Other Trading Activities					
Venue hire, Training, Exam services, Consultancy, Flawed samples	9,826	–	–	9,826	6,353
Marketing, Advertising and Merchandise	7	–	–	7	–
Investments					
Interest and Dividends	145	556	–	701	637
Other					
Other income	4	–	–	4	91
Rents Receivable	524	–	–	524	506
Total	**27,312**	**556**	**–**	**27,868**	22,602
Expenditure on:					
Raising funds					
Non-charitable Trading Activities	10,502	–	–	10,502	7,015
Investment Management Costs	6	10	–	16	10
Charitable Activities					
Groups, Divisions and Events	5,236	–	–	5,236	4,369
Marketing	2,182	–	–	2,182	1,686
Membership Development	2,148	–	–	2,148	2,395
Apprentice End Point Assessment	2,178	–	–	2,178	1,162
Professional Development	914	–	–	914	763
Information and Library Services	804	–	–	804	801
Membership Subscriptions	2,617	–	–	2,617	2,527
Tenants and Public Facilities	495	–	–	495	400
Prizes, Awards and Scholarships	28	561	–	589	735
Total	**27,110**	**571**	**–**	**27,681**	21,863
Net (losses)/gains on investment assets	(219)	(139)	(1,224)	(1,582)	1,776
Net (expenditure)/income	(17)	(154)	(1,224)	(1,395)	2,515
Other recognised (losses)/gains					
Actuarial (losses)/gains on defined benefit pension scheme	(301)	–	–	(301)	9,425
Net movement in funds	(318)	(154)	(1,224)	(1,696)	11,940
Reconciliation of funds					
Total funds brought forward	19,716	3,592	11,842	35,150	23,368
Opening balance adjustment	–	–	–	–	(158)
Total funds brought forward, as restated	19,716	3,592	11,842	35,150	23,210
Total funds carried forward	**19,398**	**3,438**	**10,618**	**33,454**	**35,420**

28. Restatement of 2022 Accounts

During 2022, there was an intra-group transaction where £842k of a loan from the Charity to Professional Engineering Projects Limited, which had previously been formalised as a loan relating to the purchase of Amber Train Limited. This should have been eliminated on consolidation but was shown, in error, as both income within 'Other trading activities and expenditure' within 'Non-charitable trading activities'. There was no net effect on the reported surplus or on any balance sheet accounts.

Total resources expended 2023

	2022 as reported	Adjustment	2022 restated
	£'000	£'000	£'000
Other trading activities			
Venue hire, Training, Exam Services, Consultancy, Flawed Samples	10,668	(842)	9,826
Expenditure on:			
Non-charitable trading activities	11,344	(842)	10,502

29. Post Balance Sheet event – Asset transfer

On 1 January 2024, the Professional Engineering Projects Limited subsidiary sold the trade and related assets of the business trading under the IMechE Argyll Ruane brand to its wholly-owned subsidiary, IMechE Fife NDT Limited. The sale took place at book value for a sale price of (£204,767), which is a payment due to the acquiring company comprising:

	£'000
Intangible fixed assets	234,996
Tangible fixed assets	118,363
Debtors	416,402
Bank and cash	270,220
Creditors	(200,205)
Intercompany balances	(1,044,543)
Total	**(204,767)**

Administrative details

Name

The Institution of Mechanical Engineers

Address of principal office

1 Birdcage Walk, Westminster, London, SW1H 9JJ

Charity registration numbers

Charity Commission of England & Wales: The Institution and subsidiary prize and award funds are registered under 206882.

The Whitworth Scholarship Funds are registered under 313756.

Office of Scottish Charity Regulator: The Institution is registered under SC051227.

Governing document and constitution

The Institution was founded in 1847 and was incorporated by Royal Charter in 1930. Digital copies of the Royal Charter and By-Laws are available from the Corporate Governance team via governance@imeche.org.

Trustees

The Trustee Board comprises the President, two Deputy Presidents, three Vice-Presidents, an International Vice-President and five or more ordinary members. All Trustees are elected by the Corporate and Associate Membership of the Institution. Trustees are required to retire after a maximum of 3 years in post.

Trustees met eight times for Board Meetings supported by the Executive team during 2023.

	Number of meetings attended	Number of meetings in session
Addison, Abbey (appointed 14.07.2023)	3	4
Britton, Professor Graeme (retired 25.05.2023)	3	3
Chong, Chris	8	8
Clarke, Heather (retired 25.05.2023)	3	3
Eickhoff, Bridget	6	8
Evans, Simon (elected 25.05.2023)	5	5
Garside, Matt	5	5
Hartill, Giles (President from 25.05.2023 to 23.05.2024)	8	8
Hickman, Dr Clive (President from 23.05.2024)	8	8
Judge, Dr Richard	7	8
Nowell, Professor David	7	8
O'Brien, Ross (retired 25.05.2023)	1	3
O'Boyle, Christopher (appointed 13.02.2024)	-	-
Peel, Phil (retired 25.05.2023)	3	3
Raman, Vijay (resigned 09.09.2023)	5	5
Rivers, Helena (retired 25.05.2023)	3	3
Shilston, Ruth	5	5
Thomson-Smith, Joshua	4	5
Wanniarachchi, Chanaka (appointed 27.09.2023 to 23.05.2024)	2	2

Elected' and 'retired' relate to the normal transition of Trustees at the beginning and end of their periods of elected office. 'Appointed' and 'resigned' relate to other changes outside this normal process.

Chief Executive	Dr Alice Bunn, OBE	Appointed 05.07.2021

Key management personnel

This includes the Chief Executive and five Directors:

Director of Commercial and Finance	Sean Fox	Appointed 12.10.2017 Resigned 31.07.2024
Director Human Resources	Bims Alalade	Appointed 19.03.2018
Director Member Operations	Joanna Horton	Appointed 01.03.2018
Director Engineering Policy and Impact	James Partington	Appointed 24.10.2022
Director of Digital, Data and Innovation	Jake Fraser	Appointed 01.08.2023

Professional advisers

Auditor:

BDO LLP, Baker Street, London W1U 7EU

Bankers:

National Westminster Bank PLC
PO Box 113, Cavell House, 2A Charing Cross Road, London WC2H 0PD

CAF Bank Limited
25 Kings Hill Avenue, Kings Hill, West Malling, Kent ME19 4JQ

Investment managers:

Schroder & Co Limited
12 Moorgate, London EC2R 6DA

Blackrock Investment Management (UK) Limited
33 King William Street, London EC4R 9AS

CCLA Investment Management Limited
80 Cheapside, London EC2V 6DZ

Solicitors:

Mills & Reeve LLP
Botanic House, 1 Hills Road, Cambridge CB2 1PH

Bristows
100 Victoria Embankment, London EC4Y 0DH

Pension advisers:

Barnett Waddingham LLP
Decimal Place, Chiltern Avenue, Amersham HP6 5FG

Lane, Clark & Peacock LLP
95 Wigmore Street, London W1U 1DQ

Images

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Page 28	International Strategy Board and members of staff during the 2023 Volunteer Engagement Week ©IMechE
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Page 54	IMechE employees gathered at the HQ staff room ©IMechE

Institution of
Mechanical Engineers

One Birdcage Walk
London
SW1H 9JJ

imeche.org

THE INSTITUTION OF MECHANICAL ENGINEERS

England & Wales - Charity number 206882

Accounts

TRUSTEE BOARD'S REPORT AND ANNUAL ACCOUNTS

Institution of MECHANICAL ENGINEERS

Year Ended 31 December 2022



Improving the world through engineering

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The Institution of Mechanical Engineers
Incorporated by Royal Charter 1930
Registered Charity in England & Wales No: 206882
Office of the Scottish Charity Regulator No: SCO51227



PRESIDENT'S STATEMENT

2022 has been a busy year as we have celebrated with pride our 175th anniversary, a memorable milestone in our Institutional history. From the keynote address delivered by Sir Patrick Vallance on the anniversary date last January to Past-President Terry Spall's long-awaiting (Post-)Presidential Address, the year has been full of memorable events and moments to savour. We have been able to put COVID-19 behind us and move on, holding physical events again as well as making effective use of hybrid and virtual ways of working. Having said that, we must recognise that we live in changing times. There has been significant upheaval in the UK government, the on-going conflict in Ukraine and change of the UK monarchy. UK's longest serving monarch was patron of many engineering Institutions, including our own. I pay tribute to the Queen's achievements and the role she played in our history.

For me personally, a real highlight of the year was to return to Birmingham to host our annual dinner in November where, 175 years ago on 27th January 1847, it all started with the Institution's inaugural meeting and election of George Stephenson as our first President. The unique roles that both Bromsgrove and Curzon Street stations played in the early history of the Institution have also been rightly recognised with prestigious IMechE Engineering Heritage Awards.

When I took over from Peter Flinn last May, I chose as my Presidential Address theme 'Our Institution: building the future'. I wanted us to realise where we have come from as a distinguished engineering body and acknowledge that we continue to have a significant part to play in society and the future challenges that it faces. I hope that I have managed to achieve that goal during my Presidential year.

After 12 months in the Presidency, you would have expected Peter to have taken it easy this year. Far from it! He has been enthusiastically leading our policy work on Net Zero, attending many related events and authoring our report 'Engineering a Net Zero energy system'. Thank you, Peter, for proactively championing this critical area of future engineering focus; in your words 'achieving net zero is the biggest engineering challenge ever undertaken by mankind'. And with the recruitment of our new Director of Engineering, Policy and Impact, James Partington, we are well placed to influence government over the stance that it takes on this and other important policy decisions. Welcome to the team, James!

The review of the future of our Birdcage Walk headquarters building continues, following on from the initial study done by the Real Estate Strategy Group. The HQ Working Group under the chair of Past President Patrick Kniveton has been working through possible scenarios in detail and earlier this year produced a draft business case document to support the consultation process. As this annual report is published, the Trustee Board is considering inputs with a view to proposing a resolution to the membership. I hope this will lead us to a consensus on how to proceed on this important step for the Institution.

It has been a pleasure working with our CEO, Dr Alice Bunn, over the year – she brings so many positive contributions to the way we function as an Institution. On a personal note, Alice was rightly honoured with an OBE in the Queen's final Birthday Honours List for her services to the UK space sector and to charity. This award recognises Alice's impressive achievements and the flair she brought to her role in the space industry and now at IMechE. I congratulate her on behalf of the Institution on receiving this well-deserved award.

Finally, I would like to express my sincere thanks to all those with whom I have worked during the year, whether members, staff or engineering friends and acquaintances. It has been an exceptional honour to represent this fine Institution and one that I will treasure for the rest of my life.

In May, I pass over to Giles Hartill as our next President. As Chair of our Strategy Committee, Giles has been promoting the development of a new strategic direction; one that will place us in a better position moving forward. I wish Giles every success in his endeavours during his Presidential year. I leave the Institution in capable hands.

Phil Peel CEng FIMechE
137th President of the Institution of Mechanical Engineers



CHIEF EXECUTIVE'S STATEMENT

2022 was an exciting year of change as we pivoted towards delivery of the new high-level strategy, with values of inclusion, integrity, impact and innovation at the fore of everything we do. Volunteer and staff efforts were aligned to our strategic goals of developing and supporting engineers, and in doing so, maximising their positive impact on society.

On developing and supporting members, we were delighted to achieve the highest number of new registrants across all engineering Institutions for the 10th year running. We also gained Ofqual recognition to operate as an end point assessment organisation, providing a vitally important route to engineering for earlier careers. But we recognise that our support for members must not stop at these early stages in a world where life-long learning and upskilling and reskilling is more important than ever. So equally impressive that our Learning and Development trading company had a record-breaking year, emerging from COVID stronger than ever.

On impact, we have been working with partners across the engineering landscape, or feeding in advice directly to government. For instance, we provided key input to the report on air quality, commissioned by the Government Chief Scientific Advisor, and convened by the Royal Academy of Engineering. Crucially we fed our members' expertise directly into the net zero review commissioned by the government too. We have sought opportunities for our members' expertise to be shared from events in parliament, through to position articles in the wider media. We were also very pleased with the participation we had in a new virtual work experience programme designed to ensure participation is possible from all backgrounds and locations.

We have also targeted our efforts around our 7 strategic enablers, rolling out our diversity and inclusion programme to a greater number of volunteers and staff, and we were delighted to achieved gold IIP status. We did not make the progress that we had hoped for in deciding the future of our headquarters. However, given that this is one of the largest financial decisions that the Institution will take for many years it is important that all voices are heard to ensure that the right decision is taken. Our efforts must also focus on our digital infrastructure as that holds the key to us being able to work together, globally and inclusively, in the future.

Last but not least, to people. Volunteers and staff are the greatest asset of the Institution and when we work together we can achieve amazing things. We trialled the first virtual volunteer conference in 2022, specifically to ensure that this support can be accessible to all our volunteers. We were also delighted to be able to host many of our international volunteers in the 'extravanganza' week in September. I feel very lucky to have worked with Peter Flinn, a sentiment shared by many ('everybody knows Peter' was a running joke), I am thoroughly enjoying working with Phil Peel, and looking forward to the presidency of Giles Hartill. In 2022 we did have to bid farewell to one very treasured member of staff, Joan Gibbins MBE, leaving in style as she literally danced her way out of the library! Happily, we still see Joan regularly at social events. Let's hope 2023 similarly brings many opportunities for us all to come together and improve the world through engineering.

Dr Alice Bunn OBE
CEng FIMechE FRAeS

OUR YEAR IN NUMBERS

TECHNICAL & NETWORKING EVENTS

Supported **113** events with **17,700** attendees:

56 webinars

8 online seminars

14 lectures (11 hybrid)

23 face-to-face conferences and seminars

6 competition events

6 special events our portfolio

CHALLENGES

5 Challenges held in physical and virtual form.

190 teams from **27** countries took part

2,700 competitors and **400** volunteers participated in the live finals across the challenges

STEM

4 STEM Ambassador training sessions

1028 active STEM Ambassadors

2862 activities completed reaching **534,045** participants

3,053 schools and **79** non schools engaged

ENGINEERING HERITAGE COMMITTEE

175th Anniversary Edition Heritage plaques issued to Bromsgrove & Curzon Street Stations in the Midlands

3 Engineering Heritage Awards were presented: Farnborough Man Carrying Centrifuge, Coombe Mill, The Bendigo Tramway

SOCIAL MEDIA

97,000 LinkedIn followers (10% increase)

1,100+ New Instagram channel followers

Launched Instagram Live and Facebook Live events

175 anniversary widely celebrated across IMechE

IMechE 175 1847–2022

LIBRARY & ARCHIVE

549,148 online library downloads (**17%** increase)

11 Webinars with **1541** registrants and **603** attendees

ASME standards collection enabled for members

7,205 archive catalogue sessions, a **236%** increase following the implementation of new software

11,521 Virtual Archive sessions

Painting from the archive collection was loaned for exhibition at the British Motor Museum

1st digitised reel to reel audio file added to the Virtual Archive.

Ongoing project for implementation of an integrated Library Search and Management system, to be launched in 2023.

VIDEO PRODUCTION & PODCAST

212 videos added to IMechE's YouTube channel

4,069 new YouTube subscribers

343,905 YouTube views

Over **6,816** "Impulse to Innovation" podcast downloads

END POINT ASSESSMENT

1049 End Point Assessments delivered

Working with **109** training providers/colleges

EPA Standards Committee established

YOUNG MEMBERS

SOfE Global Final held. 1st physical final in 3 years.

The Technical Paper Competition launched

Pilot launch for "Student Chapter of the Year Award" SE Asia

Young Member of the Year Awards awarded

PRIZES & AWARDS

3 ceremonies took place in 2022

150 prizes and scholarships awarded

MEMBERSHIP & BUSINESS DEVELOPMENT

66,323 members in paying grades vs target of **67,037**

24 University accreditation visits (18 virtual; 6 physical)

50 Company accreditation visits

1,781 Professional Review Interviews

2,340 New professionally registered engineers

5000+ Delegates attended our free online, face-to-face and in-company professional development events in 2022

MEMBER ENGAGEMENT

1st Virtual Volunteer Conference held, providing volunteers training and support in conducting their roles.

1st "International Extravaganza" held, bringing together global members for a week of meetings, networking and engagement events

Member Networks team supported: 150+ Division & Group Committee meetings and 30+ Operating Board & Committee meetings

Committee Hub launched

Memorandum of Understanding (MoU) signed with Verein Deutscher Ingenieure (VDI), Germany

Cooperation agreement signed with The South African Institution of Mechanical Engineering (SAIMEchE)

EDUCATION AND SKILLS

2022 marked a year of repositioning for education and skills across the Institution.

IMechE's education provision is intended to support the lifecycle of an engineer and spans across Institutional activity. We work to facilitate the inspiration, education and retention of young people and contribute to the long-term sustainable diversification, development and growth of the engineering profession at large.

Education was announced as an Institutional policy priority at the Elevating Education launch event which took place at IMechE HQ in March 2022. Contributors including Amanda Solloway MP, Former Science Minister, met with key stakeholders from the engineering community to discuss the post pandemic educational landscape and to relaunch IMechE's STEM Ambassador programme.

The Institution's STEM Ambassador programme, which involves over 10,000 UK members, aims to equip engineers going into schools and colleges with the right skills to inspire and inform young people. The STEM Ambassador programme has been given even more importance following the disruption students suffered during the COVID-19 pandemic. A free education outreach training provision, a new STEM Ambassador induction video and web resources have been developed to encourage members to get involved in education outreach.

The Institution launched a pilot mechanical engineering virtual work experience programme in partnership with careers platform Springpod. The programme successfully engaged nearly 1000 students from across the country. The provision included e-learning materials, quizzes, activities and live webinars relating to our policy priority areas showcasing engineering as a career option to young people. The virtual work experience provided an inclusive method in which IMechE could widen participation and provide greater access to career and education opportunities for young people. The pilot programme provides the background for further developmental work that the Institution will undertake on work experience opportunities in 2023.

IMechE is monitoring policy and qualification changes that could potentially impact the future pipeline or skills provision of engineers. In response to the implementation of T Levels as a new technical qualification in England, IMechE conducted a survey on public perceptions of T Levels. Following the report's publication, the Institution has taken an active role in engaging with key stakeholders to raise awareness and promote T Levels to businesses. The Institution will also be working to ensure T Levels are embedded as a clear and viable pathway for future engineering talent.

The Institution continued to successfully support key strategic partnerships including those with the Department for Education, Primary Engineer, STEM Learning UK and the Engineering Education Grant Scheme in partnership with the Institution for Engineering and Technology.

ENVIRONMENTAL SUSTAINABILITY AND SOCIAL RESPONSIBILITY REPORT

As an organisation, the Institution is committed to reducing its environmental impact and enhancing its social responsibility as a means of achieving greater sustainability.

We continue to seek to reduce the volume of waste being sent to landfill and have extended our daily refuse contract to a contractor with a zero to landfill policy. In 2022 we concentrated our efforts on the recycling of our excess stationery with our supplier providing "amnesty bins" which allows us to dispose of any good quality and good condition stationery items. Instead of going to landfill the items are distributed to schools and colleges up and down the UK.

The Institution's Facilities team continue to lead on green initiatives and in preparation for the ban on single use plastic have recently committed to ensuring that all disposable catering supplies will be made of plant-based material by the end of March 2023.

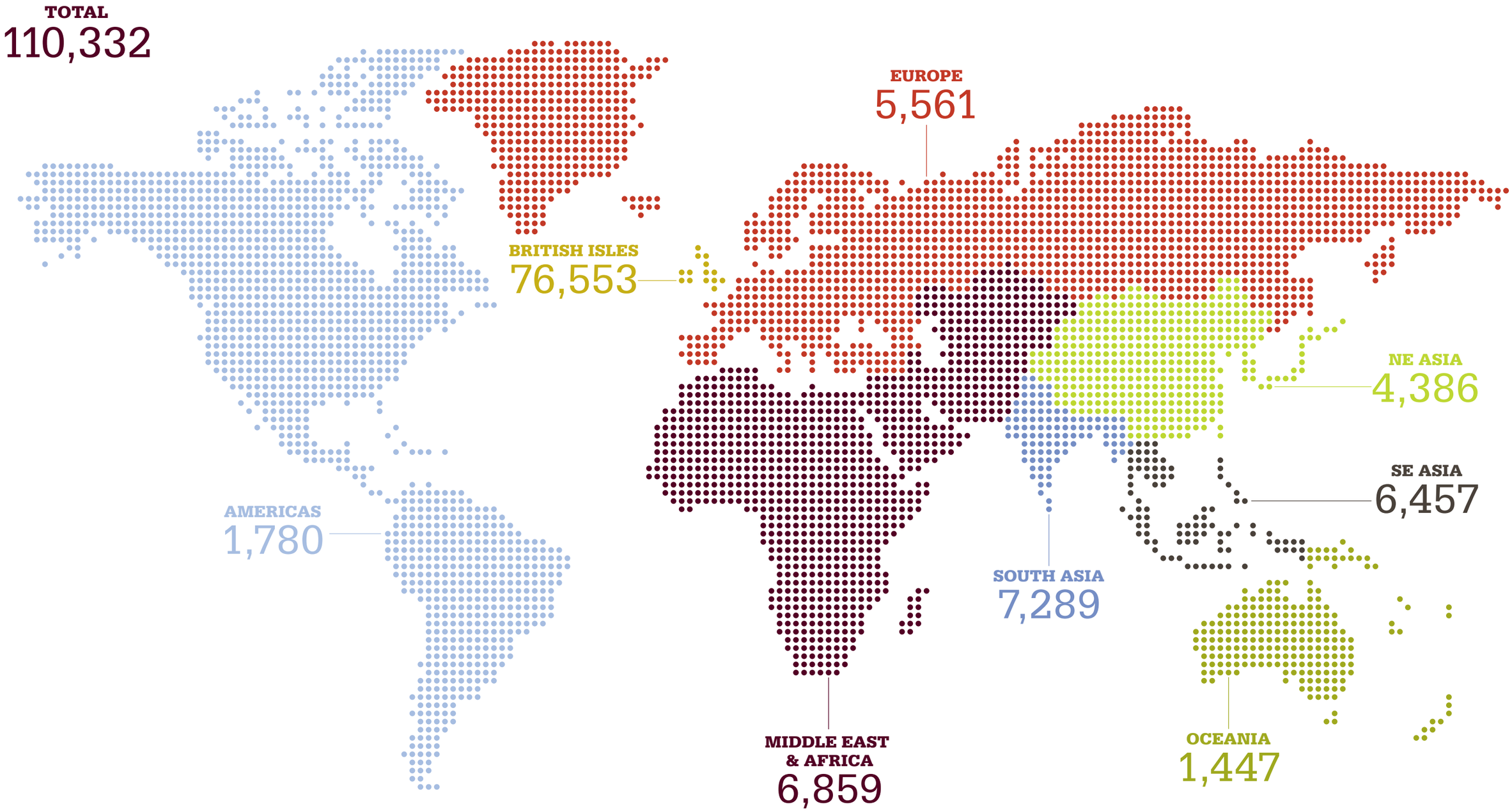
The Facilities team has successfully collaborated with the Social Responsibility Group and as a result of their efforts, sourced sustainable alternatives and introduced a Food Bank drop off point at HQ to support the Trussell Trust.

The increase in both staff and tenants returning to the office along with the post COVID venue hire saw an increase in both our gas and electricity consumption. Coupled with our end-of-life heating and ventilation systems that are in urgent need of replacement, our annual electricity consumption in 2022 increased from 386 MWh to 539 MWh and our gas consumption increased from 436 MWh to 737 MWh.

In 2022 we concentrated our efforts on the recycling of our excess stationery, ensuring nothing went to landfill but distributed to schools and colleges up and down the UK.

GLOBAL MEMBERSHIP

Figure 1: Global membership by Institution Membership Region.



2022 KEY PERFORMANCE INDICATORS

Achieved

Not achieved

In 2022 we focused on 6 Key Performance Indicators, in line with our agreed objectives and goals. We achieved 4/6 and 2/6 were not achieved and rolled over to 2023.

What we said we would do

KPI 1: **Publish 5 year strategy for the Institution that will deliver our mission of improving the world through engineering.**

During 2022 the Strategy Committee produced a high-level strategy which, following wide consultation with our boards and committees, was reviewed and approved by the Trustee Board, and published in April 2022 through the 2021 annual report. Consultation has continued with the wider membership, with a specific focus around our 2 strategic goals plus the digital developments that will be key to support delivery. The full strategy is due to be published in Q2 2023 as part of the 2022 annual report, with work ahead to develop detailed delivery plans over a 3-5 year horizon.

What we said we would do

KPI 2: **Relaunch IMechE as an End Point Assessment Organisation, supporting apprentices of the future to make their contribution to ensuring a safer and sustainable world.**

Offering End Point Assessment to the engineering and manufacturing sector is the Institution's commitment to supporting and recognising the contribution and value of apprenticeships to UK industry, and in line with our value of inclusivity. Following the Institution being recognised by Ofqual at the beginning of 2022, IMechE relaunched its first class and robust End Point Assessment Service. End Point Assessment can now be delivered for Engineering Technician, Railway Engineering Design Technician, Rail Engineering Technician and Rail Engineering Advanced Technician. Full information can be found on IMechE's Website.

What we said we would do

KPI 3: **Develop our complaints procedure to include the new values and behaviours and serious complaints processes and procedures, to strengthen our operations as a diverse and inclusive organisation.**

A first draft of the serious complaints procedure has been delivered but is now on ice pending introduction of a new management system across all policies, procedures, and guidance. This is being delivered with the Council's governance sub-group, with staff and volunteers working in close partnership. This will be the pre-cursor to our ambition of building out a comprehensive suite of guidance and tools to be best-in-class for volunteer support. This remains an important priority for the Institution and we expect to deliver it during 2023.

Achieved

Not achieved

What we said we would do

KPI 4: **Ensure charity operates a surplus budget at operational level to support our long term financial resilience. Deliver free reserves increase of £250K.**

Charity achieved its surplus budget at operational level, before the movement of market value on investments and any actuarial changes to the defined benefit pension scheme.

What we said we would do

KPI 5: **Secure the future of our headquarters through taking a decision on the future of the building via member vote and special meeting.**

In early 2022, our Real Estate Strategy Group, completed a substantial consultation about future options for the building, submitted a proposal and we launched an indicative poll to our voting members.

Following feedback from Council, in May 2022, a new Working Group was set up to examine a wider set of options, in particular looking at strategic fit, financial viability, risk profile and chances of receiving member approval, with input from updated valuations and reports on the condition of the building.

Any decision regarding the future of Birdcage Walk will need the approval of two thirds of voting members in a special meeting. The Working Group submitted a report to the Trustee Board in February 2023, recommending further work before a proposed members special meeting and vote later in 2023.

Further information can be found on the Birdcage Walk HQ Working Group Website Page.

What we said we would do

KPI 6: **Deliver improved services to members in an inclusive way through our digital platform modernisation, with projects delivered in line with the Business Plan.**

The Digital & Technology Services team worked throughout 2022 on stabilising existing systems including the main IMechE website to improve member experience. Significant discovery and planning were completed in readiness for planned major infrastructure overhaul in 2023. The stabilisation of existing systems is also essential for releasing capacity to work on the delivery of meaningful modernisation projects.

A high-level roadmap of priority projects was agreed with the Executive Team at the start of 2022 and shared with all stakeholders, boards, and committees. This roadmap encountered a later start due to in-flight work taking longer to complete to a good standard. A small number of projects from this plan were deferred into larger technology changes planned for the next few years due to interdependencies. Despite this, a good number of projects were delivered with outcomes including a new committee management hub, improvements to MPDS and CPD, and a vastly improved online payments system.



“”
Our 175 anniversary was an opportunity to celebrate our past while looking confidently to the future.

FUTURE PLANS

During 2022 the Strategy Committee established working groups for three key strategy areas – Member Development, Impact, and Digital – to develop strategic objectives and detailed sub strategies. The Working Groups presented the final iterations of their respective outputs to the Strategy Committee which were subsequently approved by the Trustee Board in March 2023.

Our Strategy 2030

Mission: Improving the world through engineering

Vision 2030: A global, inclusive, and digitally enabled engineering community

Values: Inclusion | Integrity | Impact | Innovation

Strategic Goals:

Membership Development
Developing, registering, and supporting our members to be their best for a more inclusive and sustainable world.

Impact
Maximising the impact of our members to promote engineering, inform opinion, and stimulate innovation for the benefit of society.

- We will improve our membership accreditation process, recognition schemes, services, and community - making them inclusive and a leading standard, relevant to the modern, global world.
- We will use digital technology to build thriving, networked, inclusive, global engineering communities, and deliver customised services to support technicians and engineers throughout their careers.
- We will realise a modern facilities estate, fit for the future of the IMechE, ensuring long-term financial stability for the organisation.
- Our members are leaders, experts, generating knowledge and innovating solutions - we will harness their expertise to engage and impact society positively.

Mission:

IMPROVING THE WORLD THROUGH ENGINEERING

Vision 2030:

A global, inclusive, and digitally enabled engineering community

Values:

- INCLUSION
- INTEGRITY
- IMPACT
- INNOVATION

Strategic Goals

- Membership Development
- Impact

Strategic Objectives

- Standards
- Community
- Services
- Support
- Harness
- Advise
- Communicate

Strategic Enablers



Our Values

Inclusion

We work together as one inclusive team, valuing and respecting diversity by opening up to, and actively listening to the contributions one another have to make.

Integrity

We do the right thing for IMechE and for one another by being honest, truthful, and authentic, acting with integrity in every decision we make and every action we take.

Innovation

We find better ways to get things done, innovating to resolve problems, drive change and move our mission forward by making tomorrow better than today.

Impact

We make a difference and an impact in what we do, taking accountability and ownership for meeting our commitments, making things happen by succeeding together and excelling as individuals.

Strategic Goals



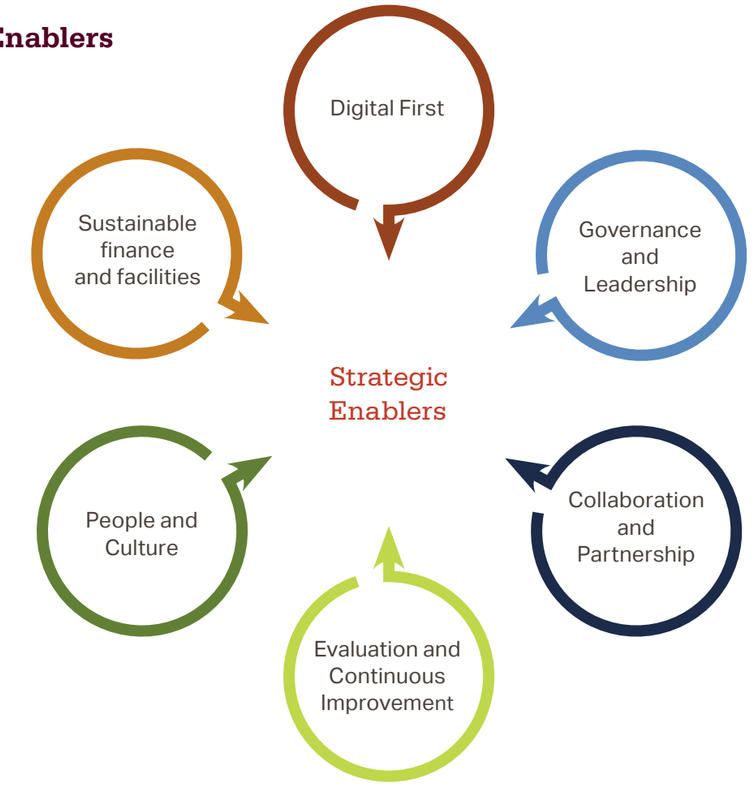
Maximising the impact of our members to promote engineering, inform opinion, and stimulate innovation for the benefit of society

1. **Harness**
   Expand and harness the expertise of our members and employees for the good of society and promote engineering as a means for solving the major challenges faced by humanity today.
2. **Advise**
   Be a point of reference for policymakers across industry and government when impartial technical expertise is considered essential in informing key international, national, regional and local decisions.
3. **Communicate**
   Communicate the outputs of the Institution across multiple platforms including webinars, in person events, and social, broadcast and print media.

Developing, registering, and supporting our members to be their best for a more inclusive and sustainable world

1. **Community**
   Build inclusive, thriving communities to support technicians and engineers to learn, work and excel.
2. **Standards**
   Lead in membership standards and accreditation.
3. **Services**
   Provide the best personalised, relevant services, content and knowledge to support technicians and engineers throughout their careers.
4. **Support**
   Enable and support members to effectively promote engineering, inform opinion, and stimulate innovation for the benefit of society.

Strategic Enablers



Governance and Leadership

- Ensure governance processes are seen to be best practice by the sector and are benchmarked against leading professional bodies.
- Ensure business processes are best practice and compliant with legal and regulatory requirements.
- Continually develop and improve the IMechE strategy, responding to changing needs and circumstances.
- Ensure registration and qualifications are best practice for the development and support of professional technicians and engineers.
- Develop and proactively train future leaders amongst our members and employees.
- Provide members and employees with leadership learning and development opportunities.

People and Culture

- Cultivate an open, collaborative, and inclusive culture where our employees and members know they belong, feel valued and can thrive.
- Support and engage volunteers and employees to work in close partnership.
- Strengthen our governance and leadership arrangements with inclusion at the heart.
- Deliver communications that reflect the diversity of our global engineering community.
- Provide services and processes designed with inclusivity and accessibility in mind.
- Secure partnerships that are aligned with our vision and values to amplify our impact and achieve our mission.
- Take a proactive approach to living our values, translating them into meaningful action that makes a difference to our organisation and beyond.

Digital First

- Develop highly functional and globally accessible, digital services.
- Create a unified data platform to enable a digital-first operating model across the IMechE.
- Content and solutions designed and implemented to be beneficiary centric.
- Content produced to be cross-platform and optimised for priority channels.
- Technology solutions hosted appropriately to support global accessibility.
- Automation and Artificial Intelligence technologies applied to improve customer experience and reduce costs.
- All services digital first.

Collaboration and Partnership

- Build a culture of collaboration and partnership amongst our members, employees, and stakeholders.
- Work to harmonise engineering standards globally.
- Collaborate with global Professional Engineering Institutions (PEIs) through reciprocal arrangements for membership and member services.
- Enable our global volunteer network to effectively promote engineering and work in partnership with other PEIs.

Sustainable finances and facilities

- Develop a modern and affordable facilities estate with excellent environmental performance.
- Create rolling medium-term plans ensuring financial sustainability and sufficient reserves to enable strategic flexibility.
- Maximise our operational efficiency and digital capabilities to minimise our environmental footprint.

Evaluation and Continuous Improvement

- Track and measure the impact of our outputs to assess the success or otherwise in delivering on our goals and objectives.
- Implement learning and feedback so that a system of continuous improvement is developed.
- Coordinate and collaborate activities across the spectrum, prioritising those activities with the greatest strategic fit and impact.
- Develop new metrics, KPIs and targets to encourage the delivery of the strategy.
- Extend and strengthen links with other PEIs or organisations with shared interests to understand their offering and look for areas of overlap and gaps so that we can increase the reach and impact of IMechE activities.

Future Plans (continued)

2023 Key Performance Indicators

Membership

Title	Description	Indicators
Population	We want to achieve sustainable growth in our professional, registered membership.	• % voluntary membership lapsing • No. of professional registrations
Satisfaction	We want to have satisfied and engaged members.	• Change in no. of active members • % of eligible members voting in elections
Diversity	We want our membership to reflect the diversity of society.	• % of international membership • % of female membership

Impact health

Title	Description	Indicators
Learning	We want to increase the amount of life-long learning we support.	• No. of days of learning events attended
Influence	We want to be a trusted point of reference for policymakers, industry, and current and future engineers.	• No. of key influencing events • No. of IMechE policy report citations
Reach	We want to increase our reach to extend the expertise of HQ and our members.	• % Change in website interactions • % Change in digital downloads • % Change in social media audience • No. of press references

Financial health

Title	Description	Indicators
Membership income	We want our membership income to support our strategic goals.	• % Change in membership income
Income diversity	A greater spread of income increases our resilience and supports our charitable objectives.	• % unrestricted revenue from non-subscription sources (*)
Free reserves	Our free reserves should enable us to cope with financial shocks and take advantage of opportunities.	• Free reserves (3 year rolling average to smooth out market value volatility)

(*) for this indicator we are including the operating profit after shared costs from our trading subsidiaries rather than turnover as the relevant component of this metric.



“”
Our STEM Ambassador programme aims to equip engineers going into schools and colleges with the right skills to inspire and inform young people.

Gender Pay Gap Reporting

The Institution employs fewer than the requisite 250 employees and does not have to publish gender pay gap information. As part of its commitments to its values and to demonstrate transparency the Institution has made the decision to publish gender pay gap information annually.

While we are happy with the improvement shown in the year, which is mainly driven by both an increased proportion of female employees in the upper quartile (40%, 2021:38%) and a small increase of relative pay of female employees within each quartile, we recognise that further progress is necessary and will work towards this.

In 2022 male employees were paid on average 12.7% more than female employees (2021 15.9%).

This is due to the proportion of men being much higher in the higher two quartiles (59%, 2021: 58%) than the lower two quartiles (40%, 2021: 42%).

Within the individual quartiles pay is very close with female pay ranging from 99% to 103% of the mean (2021: 98 to 102%) or the quartile and being higher in three (2021: two) of the four quartiles.

Figure 1: Gender split by pay quartile

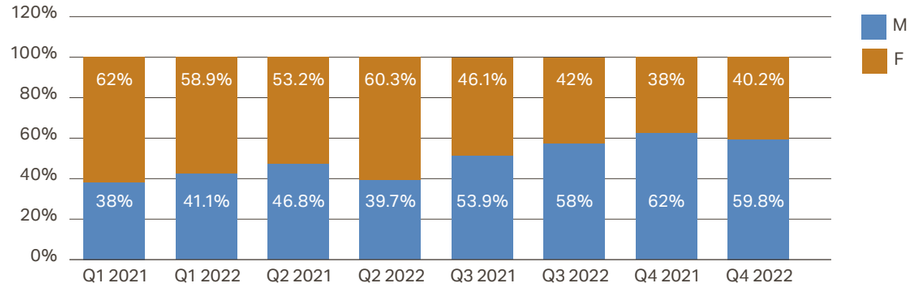
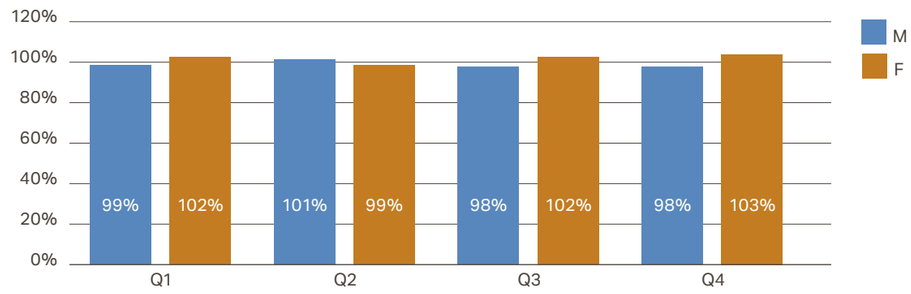


Figure 2: Mean gender pay within each quartile



STRUCTURE, GOVERNANCE AND MANAGEMENT OF THE CHARITY

The Institution is governed by a Trustee Board comprising members of the Institution elected to office by Corporate and Associate members, through an annual election process. Trustee essential training is provided at the start of each election term for all Trustees and additional specific training provided as required related to specific activities or skills growth.

Trustee Board

President	Phil Peel
Deputy President	Giles Hartill
	Dr Clive Hickman OBE
Vice Presidents	Heather Clarke
	Helena Rivers
	Dr Richard Judge
International Vice President	Vijay Raman
Ordinary Members	Bridget Eickhoff
	Professor David Nowell
	Chris Chong
Member ordinarily resident overseas	Professor Emeritus Graeme Britton
Member under 30	Ross O'Brien
Trustees retired or resigned in year	
Past President	Peter Flinn
Vice President	Matt Garside
International Vice President	Raymond Hodgkinson

Trustees typically meet eight times a year with additional meetings as required. Trustees are invited and attend as observers at Council meetings.

Senior Management Team

The Chief Executive is responsible for the daily management of the Institution in accordance with the Royal Charter and By-laws and the direction of the Trustee Board, and the organisation and deployment of the Institution's employees. Four Directors support the delivery of the Chief Executive's responsibilities.

Chief Executive	Dr Alice Bunn
Finance and Commercial Director	Sean Fox
Human Resources Director	Bims Alalade
Member Operations Director	Joanna Horton
Engineering Policy and Impact Director	James Partington

Boards and Committees

The Trustee Board is directly supported by the work of its governance sub-committees and through the work of its advisory bodies. Responsibility for core Learned Society functions is delegated to operational boards and committees.

Governance sub-committees

- **Audit and Risk** – objective and independent review of risk management, control, and governance processes.
- **Finance** – management of the Institution's finances and investments. The PEP Ltd Board is a sub-committee of the Finance Board and is responsible for the management of the Institution's trading subsidiaries.
- **Nominations** – independent and transparent recruitment of qualified members and non-members to boards & committees, and responsible for corporate elections processes and procedures.
- **Remunerations** – remuneration packages for the CEO and Directors, and overall settlement for all employees.
- **Strategy** – developing the Institution's high-level purpose, vision, strategy and objectives.
- **Trustee Board Awards** – administer the disbursement of the Institution's major prizes and awards.

Advisory bodies

- **Council** – tendering advice on the direction and strategy of the Institution and for communicating the representative views of the membership.
- **Diversity & Inclusion** – provides guidance on matters related to equality, diversity and inclusion for both members and employees.

Operational boards and committees

- **Education and Skills Strategy Board (ESSB)** Influences education and skills to facilitate the inspiration, education and retention of young people and contributes to the long-term sustainable diversification, development and growth of the engineering profession at large.
- **Engineering Heritage Awards Committee (EHAC)** – recognises and celebrates engineering heritage worldwide.
- **International Strategy Board (ISB)** – Learned Society activities for, and engagement with members based outside of the British Isles. The International Young Members committee reports directly to ISB.
- **Qualification and Membership Board (QMB)** – maintains professional standards and promotes registration to the Engineering Council.
- **Regional Strategy Board (RSB)** – Learned Society activities for, and local engagement with members based in the UK and Republic of Ireland.
- **Technical Strategy Board (TSB)** – promotes technical interests and coordinates Learned Society activities covering industry sectors (Divisions) and engineering technologies (Groups).
- **Young Members Board (YMB) (UK and Republic of Ireland) and the International Young Members Committee (IYMC) (all areas outside of the British Isles)** – champion and promote Learned Society activities for, and engagement with members within ten years of profession registration.

Structure of local operations

Every member is assigned to an Institution region aligned to the defined geographical areas under the remits of the Regional Strategy Board (UK and Republic of Ireland) and the International Strategy Board (all global areas outside of the British Isles). The combined RSB and ISB networks covering our global reach is the key mechanism for the Institution's engagement with members at a local level.

The UK and Republic of Ireland operations are structured into 16 regions and the International operations into 7 regions, each of which is overseen by a committee of volunteers. Regional Committees comprise elected positions such as Chair, Vice Chair, Secretary, and Treasurer, whose work is supported by other volunteer members.

Regional operations can be further delineated into a regional sub-structure comprising local Branches, Areas, Young Member Panels and include the TSB's Division Centres located near to industry hubs.

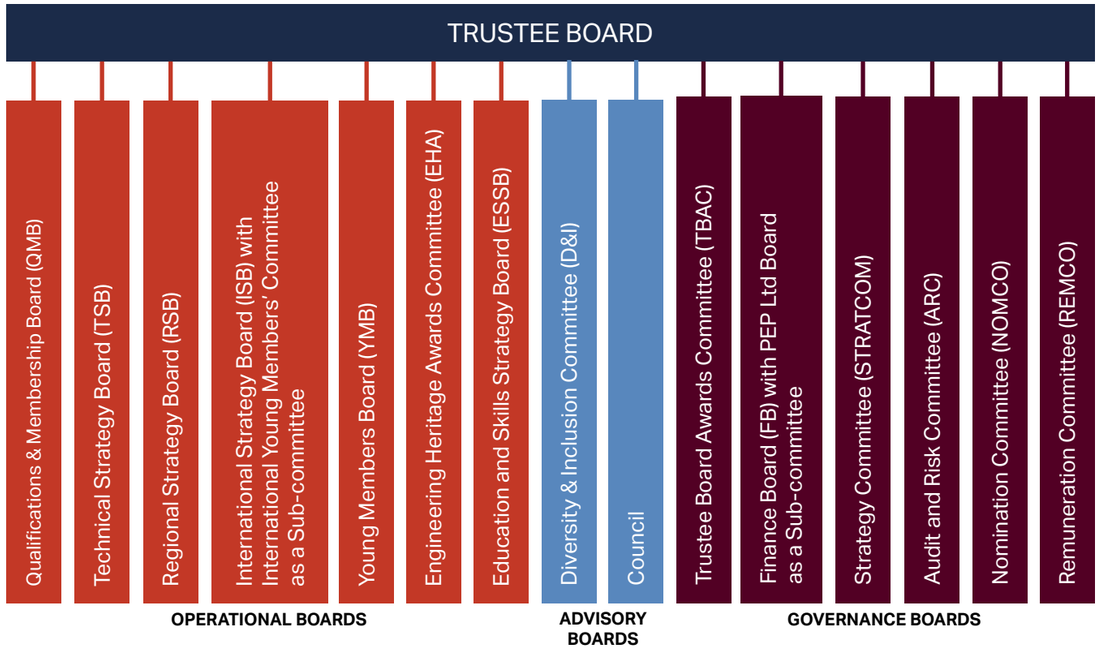


Figure 3: IMechE governance – organisational structure (April 2022)

Details of activities delivered in 2022 by the regional networks and the operating boards are reported elsewhere in this report.

Membership Volunteering

The extent and success of the Learned Society's engagement and activities is dependent on the commitment and efforts of our volunteer members who are supported by professional and well-trained staff.

The Trustee Board would like to thank the thousands of members around the world who freely volunteer their time to support the Institution in all parts of its Learned Society activities. Institution members give their time on a purely voluntary basis as members of the Trustee Board, governance committees, advisory bodies, operational boards and committees, and across the regional networks.

Member volunteers are also crucial in the delivery of Professional Reviews, registration events, STEM based activities, local events, mentoring, student challenges, to name just a few of the many opportunities to connect with the Institution. Without this support many of our activities or meetings would not be possible.

Provision of free facilities

The Institution pays for most of the external facilities that it uses, particularly at national level. Locally, in the Regions and Centres, there is some dependence on the provision of free facilities to hold meetings and activities.

Charity Commission of England & Wales and Office of the Scottish Charity Regulator

The Institution takes seriously its responsibilities and duties as a large charity and is focused on continuous improvement in its governance framework to fully comply with its statutory and regulatory obligations and to demonstrate best practice.

As reported in previous annual reports, 16 remaining recommendations from the 2018-2019 governance review were allocated to the senior management team for completion.

There are two key themes associated with this work:

- Evolving the Institution's culture to embody its values. Ongoing work is centred on volunteer members and employees, including a programme of diversity and inclusion training, and the introduction of transparent procedures and processes to address incidents of poor values and behaviours, and for members to raise in confidence concerns about the Institution's management and operations. Since early 2021, we have facilitated over 100 free live diversity and inclusion learning sessions to around 250 employees and members and have already felt a shift in the way we bring our values to life in day-to-day interactions. We are proud to have a rich, global membership base, and we are taking steps to build an inclusive culture where all our members and employees know they belong, feel valued and can thrive. The D&I Learning Programme will continue during 2023 and aims to raise awareness and equip us with the right knowledge and tools to embed inclusion at the heart of everything we do. The Trustee Board approved a 3-year action plan to empower us with the opportunity to confidently discuss this subject and create a truly inclusive environment for all.
- Improving the quality and frequency of communications between members and the Institution to achieve an efficient and effective two-way channel. The Strategy Committee, supported by the CEO and Council's strategy sub-group, is developing a communications strategy to act as a roadmap for longer-term improvements. A key conclusion of the Strategy Committee is that we must move to a digital first approach. Work kicked off in 2022 to improve our existing digital offer in advance of moving to delivering personal digital communications tailored for our members.

In 2022 Past President Peter Flinn agreed an initiative with Council to focus on a review of the Institution's high-level constitutional documents for the purpose of improving their clarity and members' understanding of our governance framework. The intention was not to propose changes to the existing governance arrangements per se but to propose changes to the documents' contents such as to remove inconsistencies and address overlaps. It was envisaged that a holistic review of the Royal Charter & By-laws and the related Regulations and Terms of Reference would be a large project and as a first step a scoping study would be required. A joint (Trustee Board/Council) working group was formed for that purpose.

The two-year time scale for the project was deemed as ambitious due to resource availability and the Trustees felt more time would need to be allocated to the project to ensure quality. The project will be picked up again once the Institution has completed its more urgent projects.

In addition, the Institution in early 2022 adopted new Trustee Board regulations which have enabled us to move to a situation where we will have two Deputy Presidents in waiting allowing better planning continuity.

Activities in Scotland

The Institution has approx. 9,390 members based in Scotland supported locally via the Scottish regional committee and its sub-groups led by member volunteers. The regional programme in 2022 consisted of local technical and social events organised by the Scottish Area Committees, technical Centres and Young Member Panels, including technical visits, lectures , and the Scottish Region Annual Dinner.

A number of national events took place in Scotland including technical seminars, for example "Innovative Materials Offshore" in Aberdeen by the Process Industries Division. The Institution also ran a varied programme of events and activities open to all members including our members in Scotland such as "The ABC of Scotland's Railway Strategy", organised by the Railway Division which was live-streamed globally.

Internal Control

Internal control systems provide reasonable but not absolute assurance against material misstatement or loss, and cover measures to identify and manage risk.

In 2022:

- The Programme Office supported the Executive Team in creating the business plan and the reviewing and reporting of the KPI's on a quarterly and annual basis to the Leadership Forum and Trustee Board.
- The Programme Office successfully completed the 1st year of the 3 year internal audit programme of the Institution's internal processes. The results were reported to the Executive and Audit and Risk Committee with action plans implemented. The audits are lead and completed by an independent ISO 9001 lead auditor.
- A complete review of the Institution's risk strategy was completed. This included a review of all documented policies associated with risk, including the creation and launch of new strategic and department operational risk registers across the Institution. A senior risk manager was appointed to move the Institution forward on risk management. The Programme Office reported the results to the Executive and Audit and Risk Committee.

Employee Engagement

The commitment to the improvement of culture and engagement at the Institution has continued with positive experiences of culture transformation taking place across the Institution. The achievement of Investors in People Gold was testament to the embedding of our values amongst our staff and the great work and support our leadership teams have provided.

Inclusion is the first of IMechE's four core values, and in that spirit, we continued to deliver our Training Programme 'Creating Inclusion' throughout 2022 and have felt a positive culture change on how we bring our values to life at IMechE. One of the highlights of the training programme was having a mixed number of members and employees engaging and working together as one team. Members and employees also came together and attended workshops to discuss how we can align our values, the D&I Strategy and Institution's long-terms strategy going forward, which were fed into a Diversity and Inclusion Action Plan.

The reformed Employee Engagement Group has established working groups to support key engagement streams across the Institution.

The Social Responsibility, IT, Wellbeing and Cheer groups have been working to generate employee engagement and embed a positive work culture at IMechE.

The Social Responsibility Working Group supports IMechE and its employees to increase engagement in socially responsible activities, focusing on charitable and/or environmental initiatives. Over the past year the group has organised a number of fundraising events for Action for Children, Home - KidsOut and The Trussell Trust - Stop UK Hunger.

The Leadership Forum expanded to enable key stakeholders to be part of the forum allowing them to directly contribute to business planning for the Institution.

Wellbeing continues to be a focal point for the Institution with all employees offered the opportunity to attend a mental health awareness course. There are 8 trained Mental Health First Aiders who provide support and signposting to employees as a first point of assistance. The Institution continues to support flexible work patterns.

The Institution is an equal opportunity employer and does not discriminate on the grounds of disability, age, race, ethnicity or sexual orientation. The Institution has continued to focus on retaining skilled employees by providing more secondment and promotion.

Arrangements for setting the pay and remuneration of key personnel

The remuneration of senior management at Director level and above is reviewed and approved annually by the Remuneration Committee. The Committee ensures arrangements are affordable and fair, and designed to motivate and reward performance in the interests of the Group. Remuneration is benchmarked periodically using external surveys and data which include both commercial and not-for-profit organisations.

Public Benefit Statement

The Trustees confirm that they have complied with the duty in Part 1, Section 4 of the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit, 'Charities and Public Benefit'.

The charitable objective of the Institution is to promote the development of Mechanical Engineering to benefit "the general public / mankind" as detailed in the Royal Charter. The Trustees ensure that this purpose is carried out for the public benefit by delivering services that are valued by our members and setting standards of achievement for engineers, thereby engendering public confidence and trust.

Membership is open to people who are pursuing a career or have an interest in mechanical engineering.

The Institution actively pursues the development of debate and action on topics for the betterment of society that relate to mechanical engineering. The Institution provides free literature, free lectures and free access to the library to encourage members of the public to engage in the improvement of the world through engineering.

Modern Slavery: Commitment Statement

IMechE is committed to preventing acts of modern slavery and human trafficking from occurring within its business and supply chain, and suppliers.

As part of our commitment to combating modern slavery, we will continually review the requirements of the MSA 2015 and when appropriate, consider implementing appropriate modern/anti-slavery policies and processes within the organisation. In considering whether to implement the above, we consider:

- Our supply chain
- Cleaning and catering suppliers
- Any outsourced activities, particularly to jurisdictions that may not have adequate safeguards
- Corporate hospitality.

Ukraine

The Institution has decided fees for membership application and subscription will be waived for up to two years for refugee engineers in the UK wishing to join the Institution.

We took the decision as we believe it is important to support refugee engineers to integrate and rebuild their lives, while at the same time helping them to contribute to the UK economy and society.

These engineers have knowledge, skills and training and by supporting them to gain employment or continue with their studies, we can help fill the skills gap we have in the UK.

Membership will provide that important early help and support that may be needed, providing access to some member benefits and services in particular our learned society and training activities, local networks of members and the Support Network assistance.

As part of our overall response to the wider refugee crisis, we are working with the Royal Academy of Engineering, the Engineering Council and other Professional Engineering Institutions help determine how professional bodies can support refugee engineers.

Sri Lanka

Support has also been offered to our members in Sri Lanka, during this time of significant economic crisis.

The Institution is committed to supporting all our members and our Support Network provides advice and support, including financial support, to our members worldwide.

Risk Management

The corporate risk register is maintained by a Senior Risk Manager who works closely with the Executive Team and all departmental managers. The Executive Team regularly update the record with oversight from the Audit and Risk Committee.

Risk issues identified may impact the Institution's strategy, finances, regulation and reputation, so their identification, documentation and treatment are vital in mitigating high priority or high impact areas, as well as confirming the Institution's risk appetite.

The Corporate Risk Register is reviewed at the Trustee Board level to ensure that, where possible, risks are being mitigated and managed effectively. The register is presented annually to the Trustee Board and reviewed more frequently by the Audit and Risk Committee to ensure risks are managed effectively and remain relevant.

Overall responsibility for risk management rests with the Trustee Board. Comprehensive risk registers are maintained at the department level with a consistent approach to risk being adopted throughout the organisation. The COVID-19 pandemic generated additional risk reviews necessitated by the frequent changes to Government guidelines and the impact of the pandemic on the Institution's operations.

Risk Appetite Statement 2022

Introduction

Risks associated with the Institution can be described as events that may or may not happen, that could lead to the Institution not achieving its stated objectives, be they strategic or operational.

The Institution's risk appetite can be described as the level of risk that the Institution is willing to tolerate (carry) whilst achieving its stated objectives, including financial and operational priorities.

The Institution's priorities include (but are not limited to):

- Its charitable aims and principles (including our Royal Charter)
- Duty of care to the Charity and our members
- Our resources (people, infrastructure, environment for the operations)
- Our commitment to continual review and improvement.

Our approach

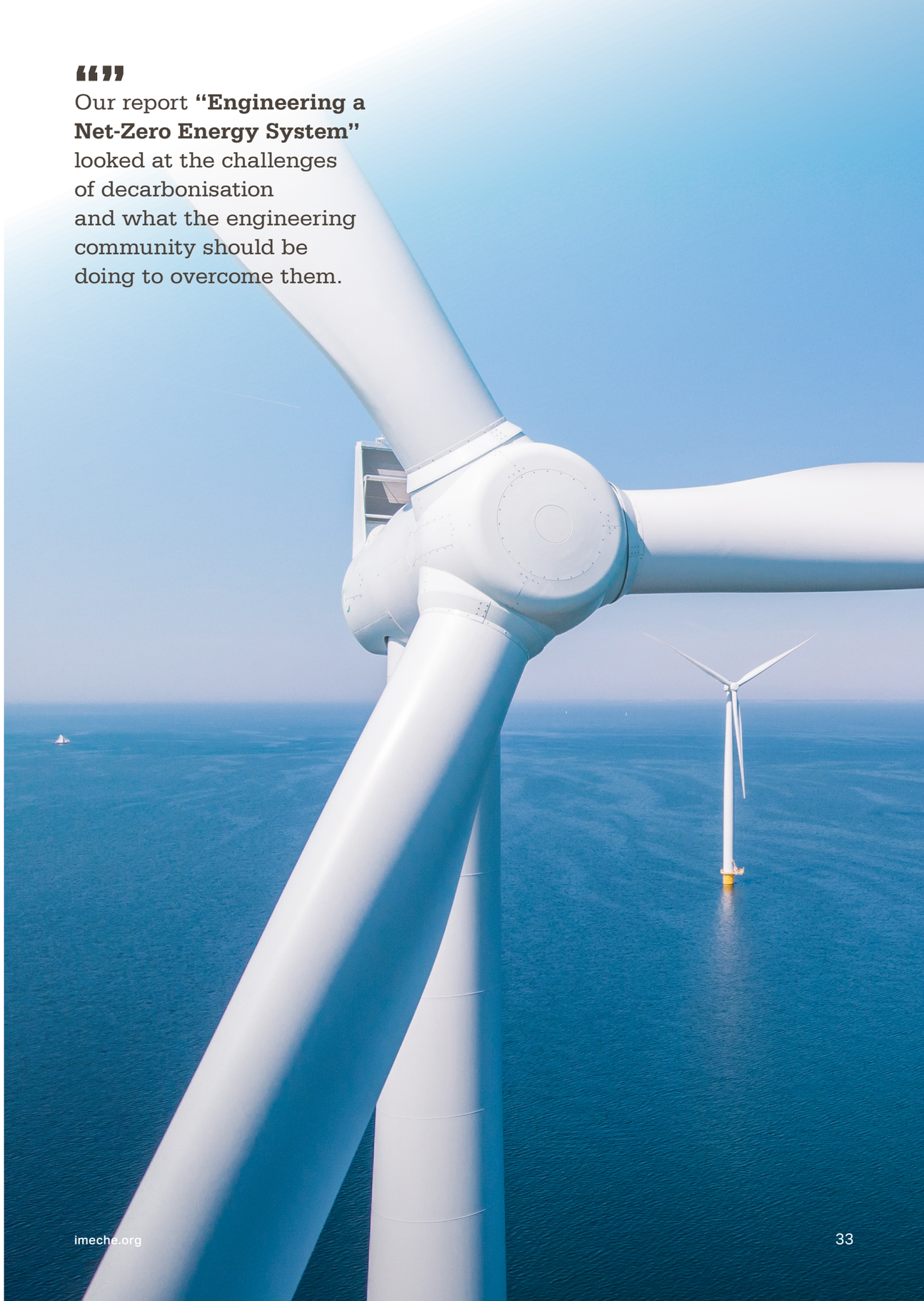
The Institution's approach to risk is to identify activities that could impact its business objectives. Where activities or potential activities are identified, they are evaluated and recorded as risks. Evaluating risks allows the Institution to assess whether they are within the Institutions risk appetite in their current state. Where identified risks are not within risk appetite additional measures need to be implemented to reduce the probability or impact of them occurring, thus bringing them with risk appetite. The Institution's risk appetite is linked inextricably to our ability to measure and manage risks. We use several methods to achieve this by implementing policies, procedures, conducting regular reviews and updates as well as assurance processes (internal audits).

This approach provides the Institution with an opportunity to make improvements to the business and charity. The Institution will only accept a risk where the potential benefit or detriment to the business is understood and where sensible measures can be put, or are in place, to control or mitigate the risk.

As risks bear a cost, they are also expressed in financial terms, thus allowing the financial impact on the Institution to be evaluated. The Institution's approach to risk is proactive.

Major organisational risks

Risk	Description	Mitigation
Failing to agree and implement a 5-year strategy for the Institution.	There are risks associated with the need to agree and implement a 5-year strategy for the Institution, providing focus and priorities.	Whilst the current strategy remains in place, a fully revised 5-year strategy continues to be established. The Strategy Committee continues to meet and has continued input into other forums such as Council. Individual sub-groups are all in progress to develop the next stage of the revised strategy.
The cost of maintaining property assets - One Birdcage Walk	The cost of running and maintaining property assets remains very high. One Birdcage Walk continues to require major structural works due to its age and condition. A costing exercise took place in 2022, with the cost of building repairs to meet current standards rising substantially. Revenue produced from venue hire and tenant income from One Birdcage Walk does not cover running costs of the building. One Birdcage Walk's future depends on achieving a 2/3 vote by the membership. There is an additional risk that if a 2/3 membership vote is not achieved, although risk reduction strategy may reduce the impact of the risk, it will remain without resolution.	To continue the information campaign, complete the ongoing consultation, and seek member approval by achieving a 2/3 vote.
IT Infrastructure – Maintaining information integrity, security and become a highly functional and globally accessible, digital communications services	IT infrastructure and operations continue to pose a significant risk to the Institution, mainly where IT systems and processes are no longer fit for purpose. Cyber security remains a continuing risk, as it does to all organisations, however legacy systems naturally pose a higher risk.	Mitigation includes recruitment and development of in-house team of IT professionals, including structured training to keep skillsets relevant; projects for 2023 focus on migration, development and maintenance of infrastructure; documentation and discovery of as-is and to-be plans being developed in response to these; improvement of our security posture where permissible before infrastructure changes; management of underperforming third party contracts, replacing these as contract terms end; development of and delivery roadmap for major digital strategy to tackle underlying outdated systems and lack of strategically important capabilities.
Compliance with regulatory requirements	These are risks associated with regulatory requirements such as GDPR and Health & Safety.	Both mandatory staff training as well as appropriate policies and procedures to maintain the confidentiality, integrity and security of our data (UK GDPR) continue to be updated and implemented. For Health & Safety, we continue to employ professionally qualified facilities management staff ensuring Health & Safety conformity across all sites. We have regular site inspections and audits by Head of Building Services. The annual Health & Safety report is submitted to and reviewed by both Audit & Risk Committee and the Trustee Board.
Professional Engineering Projects Ltd does not deliver budgeted profits	Professional Engineering Projects Ltd (PEP) has four trading entities: Venue Hire, Learning & Development, Argyll Ruane, and Sonaspection. The four entities were negatively impacted by the COVID-19 pandemic, and recovery was significantly slower than expected. Throughout 2022 the four trading entities experienced varying degrees of recovery. Unaudited accounts show PEP Ltd achieved a small profit in 2022.	IMechE has completed its PEP Strategic review and recommendations have been made to the Finance Board on the future strategy for PEP.
Membership and Accreditations	Compared to other Professional Engineering Institutions (PEI), IMechE continues to have limited resources to devote to member recruitment. Overall, IMechE membership numbers have declined with the number of members in the paying grades marginally down (this excludes those with free membership such as students). Factors including economic downturn after COVID, accessibility to applicants due to hybrid working and the increase in the cost of living, as well as previously identified PEI registration becoming less relevant to employers. The divergence of modern engineering careers that no longer fit neatly into a single PEI, may exacerbate this decline.	Mitigations include ongoing reviews of membership benefits and offerings, marketing campaigns, regular member surveys, continued use of effective business development function, the ongoing use of Falzani model to predict retirement, regular reviews of performance at Senior Leadership team and Trustee Board, setting objectives conducive to being amongst the top UK PEI. This list is not exhaustive.
Governance challenges	Corporate Governance risks associated with leadership, accountability and transparency continue to be an area of risk for the Institution.	Aligning Governance planning with IMechE Business Plan, Corporate elections process is being reviewed and amended where applicable and restructuring of the Governance resources to align with better ways of working.



FINANCIAL REVIEW

Financial Results

The key objective in improving the financial position of the Institution is to provide secure financial underpinnings to deliver the Learned Society activities to our members. The Institution runs several commercial ventures and invests in innovation as part of supporting its overall charitable purpose. Following the completion of the Finance Review in 2019, achieving self-funding for the charitable business and increasing the level of free reserves have become key priorities.

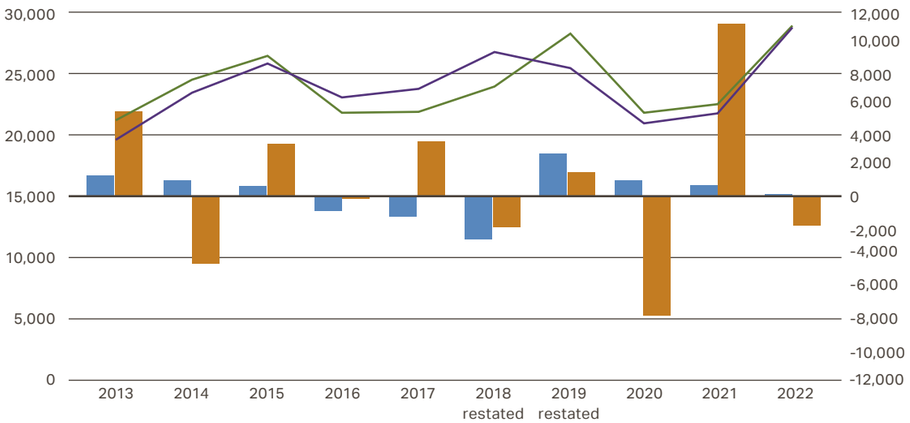
In 2022, overall income rose 27% to £28.7M (2021 – £22.6M).

There was no furlough income receivable under government COVID-19 support schemes (2021: £0.1M)

Operating expenditure rose 30% to £28.5M (2021 – £21.9M) resulting in an operating surplus of £0.2M (2021 – £0.7M).

Non-operating costs included a £1.6M loss on investments (2021– £1.8M gain), and a £0.3M actuarial loss (2020 – £9.4M gain) on the pension fund scheme (see note 10 for full details), resulting in a net movement of funds (operating and non-operating) of £1.7M deficit (2021 – £11.9M surplus) for the year.

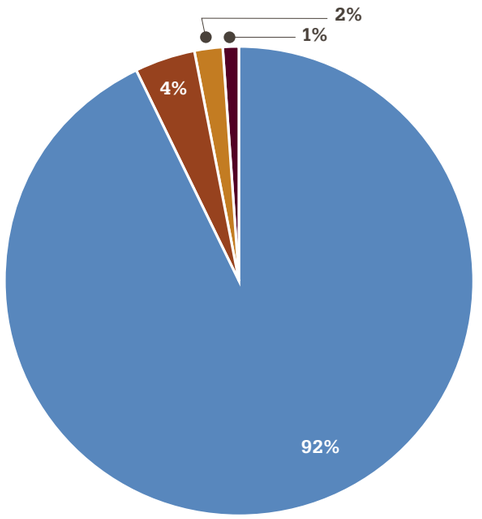
Figure 4: Income and expenditure trends 2013–2022 (£'000s)



Charity only income and expenditure

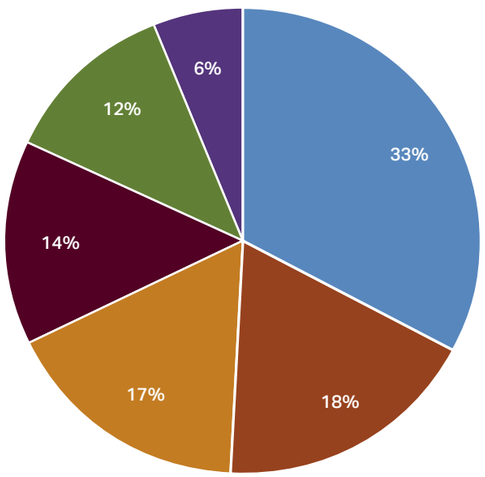
To assist members in understanding a summary of charity income and expenditure has been developed in a non-statutory format.

Sources of income (Charity, unrestricted)



Income only includes membership subscriptions, rental income from tenants, investment income and departments which have a net surplus e.g. end-point assessment. Legacies and profits from PEP are included but each is well below 1% of total income in 2022 so they are not easily visible. Departments which are a net expense e.g. events, professional development, are not shown within income but the net expenditure is included within the graphic below

Charity only expenditure



All departments with net expenditure have been allocated over the strategic goals and enablers. Depreciation has been excluded from the totals but capital expenditure in the year is included in the relevant values. The 'Collaboration and Partnership' and 'Evaluation and Continuous Improvement' enablers have not historically had costs measured separately but both are small compared to the others. Further work to improve this will be conducted during 2023."

Charity Reserves

The policy on reserves is to calculate a target of specific reserves to cover:

- Special projects (excluding routine maintenance) eg the extensive capital repairs needed to One Birdcage Walk.
- Major risks – a judgement based on a combination of those known or reasonably forecast in the medium-term – as defined in the Institution's Risk Register.
- Unknown risks for a major loss of income (eg the type of unexpected event that COVID-19 was in 2020).
- The cost of orderly wind-up of the charity if ever required.

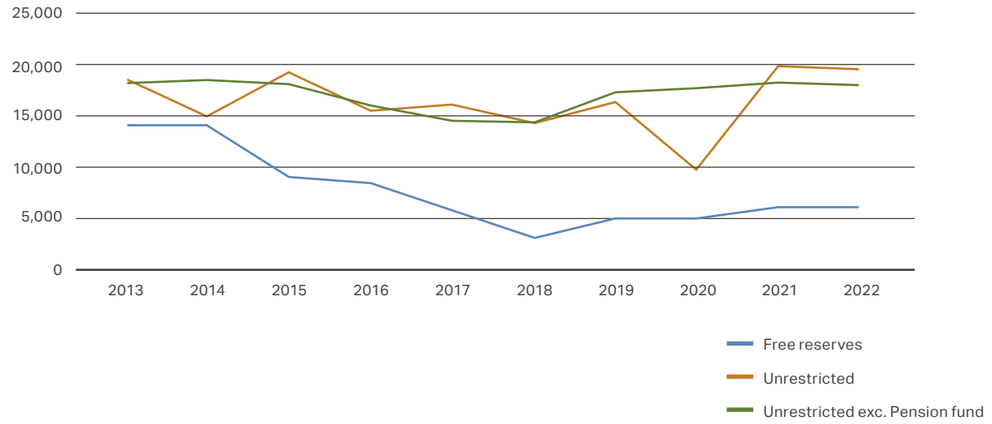
The reserves target is £11.6M (2021 £11.6M). Of this, £7m is required to cover known major repairs to the HQ building. Once any building upgrade goes ahead, these repairs will be included and subsequently this component of the free reserves target could be substantially reduced.

As of 31st December 2022, this calculation of free reserves was as shown:

	2022 £'000	2021 £'000
Total Charity funds excluding pension liability	33,454	35,150
Less: Endowment funds	(10,618)	(11,842)
Less: Restricted income funds	(3,438)	(3,592)
Unrestricted funds	19,398	19,716
Less: mixed-motive investments	(3,082)	(2,908)
Less: intangible assets	(3,446)	(3,530)
Less: tangible assets	(5,897)	(6,298)
Less: current year pension deficit payments	(500)	(500)
Free reserves	6,473	6,480

The main action to bring the free reserves back to target is the future head office project. Extensive work was completed by a working group during 2022 and a report was presented to trustees early in 2023. Further work continues with a decision by trustees expected in mid 2023.

Figure 5: Trends in unrestricted and free reserves 2013–2022 £000



Trading Entities

The Institution operates four main trading activities through its subsidiary Professional Engineering Projects Ltd and its sub-subsidiaries:

- One Birdcage Walk: provision of venue hire, with catering and other support for events for our London HQ.
- Learning and development (L&D): provision of professional engineering and management training courses.
- IMechE Argyll Ruane (IAR): market leaders in the provision of training, examination and consultancy services to the Non-Destructive Testing (NDT) and coatings sectors.
- Sonaspection: market leading global manufacturer of flawed specimens for the Non-Destructive Testing (NDT) industry.

The trading performance of these businesses is overseen by the Board of Professional Engineering Projects Ltd (PEP). This is chaired by a Trustee (Vice-President), who is also deputy chair of the Finance Board. The PEP Board is directly accountable to the Finance Board (chaired by a Deputy President), which provides oversight of commercial activities as an integral part of its responsibilities for the Institution's finance, and ultimately to the Trustee Board. Both the PEP and Finance Boards have external members who are senior members of the Institution or appropriately qualified independent members. They are supported as required by external professional advice.

The PEP Ltd Board reviews the annual plan and three-year strategy for each business. Related financial metrics are approved by the Finance Board as part of the overall Institution's financial processes. Financial and commercial performance is monitored by the PEP Board, with a summary provided through its quarterly reports to the Finance Board.

PEP Ltd trading performance

Overall trading income for PEP recovered strongly after the COVID-19 downturn seen in previous years. Turnover increased by 53% in 2022 to £10.1M (2021: £6.6M), generating a profit of £0.01M (2021: £0.25M loss) at budgeted exchange rates, after direct costs of £10.1M. There were no R&D tax credit claims received in cash during the year (2021 £0.11M).

There was considerable variability in performance across the four businesses – with L&D being the stand-out performer in what was an exceptional year for the business. By contrast, revenue growth in IAR's market was significantly lower than expected, resulting in significant losses.

Although the four businesses operate largely independently of each other, PEP Ltd holds shared costs. These largely relate to provision by IMechE of finance, HR, IT and legal & professional services, as well as other minor commercial activities. These totalled a net cost of £0.46M in 2022, (2021: £0.39M). The increase follows an internal review which amended some of the recharges to more accurately reflect costs attributable to the trading entities.

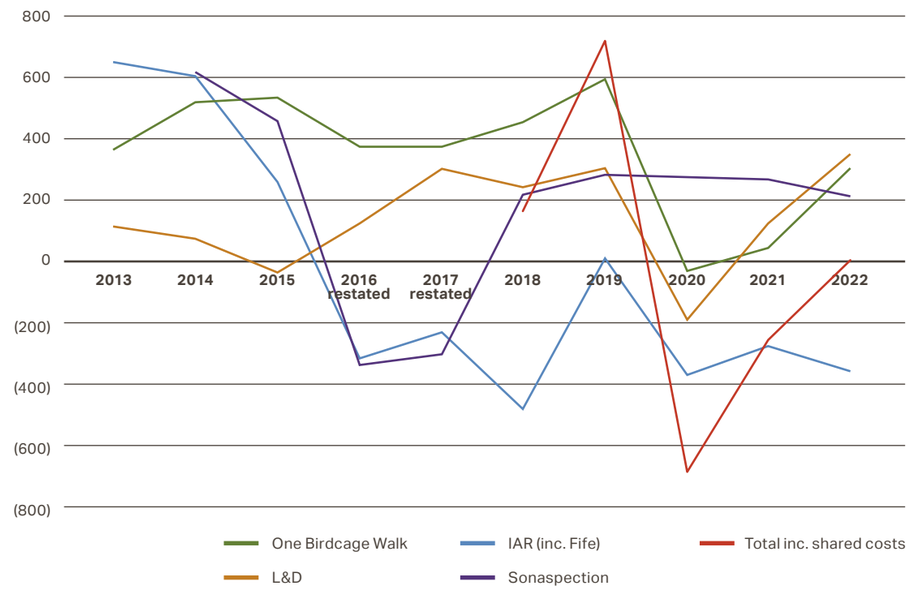
Historical practice has been to present performance in terms of operating profits (excluding the costs of recharged services that are held at PEP level). Our future intent is to move towards reporting of "net profits", expected from 2023, once the PEP and Finance Boards have validated the treatment of these shared costs.

	Revenue		Operating profit/(loss)	
	2022	2021	2022	2021
One Birdcage Walk	1.14	0.36	0.31	0.06
IMechE Argyll Ruane	2.92	2.00	(0.36)	(0.27)
Learning and Development	2.46	1.60	0.37	0.15
Sonaspection	3.57	2.66	0.21	0.28
Shared costs (held by PEP)			(0.52)	(0.47)
PEP Ltd Group	10.09	6.62	0.01	(0.25)

Longer term trends and strategy

The graphic of operating profit below highlights the beginning of a recovery following the significant impact of COVID on trading performance, as well as some of the trading volatility experienced in these small businesses over the years.

Figure 6: Trading entities operating profit and loss 2013-2022



Three of the trading entities (L&D, IAR and Sonaspection) were acquired for £4.3m over the years 2011-13. Different accounting assumptions have since been applied, complicating the reporting of trends. The cumulative net profit from acquisition through to 2022 of these three businesses (after allocated costs are applied) is estimated to be just above break-even. This lower than expected return, in part, reflects the significant impact of COVID for all of these businesses (costing around £1.0m). With trading performance now improving once more, future returns should be higher.

The businesses, particularly L&D and One Birdcage Walk, also bring indirect benefits through provision of services to members (directly and indirectly). The strategic intent agreed by the Trustee Board is to place greater emphasis on this aspect of value-add, with a more explicit alignment of commercial and learned society strategic goals, while retaining commercial focus and discipline in the businesses. There are plans to carry out market testing in 2023 to assess whether a more entrepreneurial, commercially focussed ownership could give the IAR and Sonaspection businesses and their people greater scope to take advantage of their strong market position and benefit from the many opportunities that exist.



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Our venue hire business, trading under the **‘One Birdcage Walk’** brand recovered strongly as customers began to return to pre-COVID levels of activity.

One Birdcage Walk

Our venue hire business, trading under the ‘One Birdcage Walk’ brand recovered strongly as customers began to return to pre-COVID levels of activity from Q2 onwards. Income rose to £1.14m (2021: £0.36M), which is approaching the 2019 turnover of £1.35M pre-COVID. Operating profit rose to £0.31M (2021: £0.06M).

The income growth was supported by our investments in re-shaping the marketing team to ensure One Birdcage Walk had direct support, with high numbers of leads generated coupled with strong conversion. The positive trends were adversely impacted in December by strikes on the transport network which led to cancellation or postponement of a number of events. The outlook for 2023 is one of continued growth (10%) that returns us to pre-COVID levels. Profits are expected to be largely unchanged, as additional staffing is required to cope with the recent growth.

In addition, the business has started to offer its professional venue hire capabilities to internal (Institution) customers on a cost neutral basis.

IMechE Argyll Ruane (IAR)

IAR had a challenging year. Although turnover rose from £2.00M to £2.92M, market recovery from COVID, and growth from IAR’s new Fife operation, were slower than expected. With resources having been built up in anticipation of rapid growth that did not materialise, this led to a significant operating loss of £0.36M for IAR (2021: £0.27M).

Our strong focus in 2023 is to restore profitability and to put in place a more sustainable business model that capitalises on IAR’s market position, reputation and capabilities. This is supported by action taken towards the end of 2022 to address IAR’s largely fixed cost base, which included a small restructuring and associated redundancies. The business is under new leadership, following the retirement of the previous general manager.

We are encouraged by the NDT training market showing more positive signs in early 2023, with the COVID-control measures that impacted our international markets having now been lifted. There are also opportunities linked to a new 10 year agreement with the Institute of Corrosion (ICorr) in 2023 to develop and deliver ICorr certified training courses and examinations globally (building on IAR’s current UK activities in this area).

Learning and Development

LEARNING & DEVELOPMENT
Institution of MECHANICAL ENGINEERS

Our training business grew strongly during 2022, aided by enhanced marketing capability, to deliver record turnover and operating profits, despite a small amount of disruption in December from the transport strikes. Income increased by 54% to £2.46M (2021: £1.60M), which supported a significant increase in operating profits to £0.36M (2021: £0.14M).

The intent for 2023 is to consolidate this strong 2022 performance, with modest turnover growth expected. This reflects an uncertain economic outlook and challenging business environment affecting demand. Emphasis is also being given to re-invigorating investment in new products, which includes the introduction of an "early years development programme" targeted at SMEs.

L&D continues to grow its engagement with the Institution's Groups and Divisions, for example successfully delivering training courses in collaboration with the Railway Division. It is expanding its training portfolio to supports broader institutional initiatives relating to net zero.

Sonaspection

SONASPECTION
Institution of MECHANICAL ENGINEERS

Sonaspection had a mixed performance. Overall turnover rose to £3.57M (2021: £2.66M), partly linked to major deliverables being rephased from December 2021 into Q1 2022 to meet customer requirements. The turnover growth was mainly in the UK. However, operating profits were down 23% to £0.21M (2021: £0.28M) – primarily due to higher than expected costs in the US.

Orders and market interest remained strong in the second half of 2022. The outlook is for turnover to remain broadly flat, with a small decline in the UK as major projects reach their conclusion. This is offset by expected growth in the US. There is a focus on restoring margins to previous levels in the face of significant inflationary impacts on the business (such as cost of energy and raw materials) and of taking action to support sustained profitability of the US operations.

Performance in 2023 will be boosted by receipt of tax credits from the US government business support programme (£100k received in Q1 2023).

Balance Sheet

Through the Stephenson LLP fund, we invested in early stage innovation companies until November 2018, in line with our charitable aim of being an impulse to innovation. Further investment is now on hold, outside of the costs necessary to operate the fund for the remainder of its life. At the end of 2022, we had invested £1.9M in 11 companies (2021: £1.8M in 11). The market value of these investments was £3.1M at the end of 2022 (2021: £2.9M), an increase of £0.2M (2021: £0.2M).

Our listed investments decreased to £18.2M (2021: £19.9M) due to market value movements.

Intangible assets remained flat at £3.5M (2021: £3.5M). with amortisation and investment broadly in balance, as predicted last year.

Tangible fixed assets decreased by £0.4M (2021: £0.4M decrease) to £5.9M (2019: £6.3M). Investment in land and property remains low while the future head office project is in the planning stages.

The pension fund remained at a nil deficit at the end of 2022 (2021: nil). Although there were very large movements in asset and liability values, the effect of hedging meant that the overall impact was very small. Due to hedging the sensitivity of the fund has substantially declined with a 0.5% reduction in interest rates leading to a £2.6M increase in pension liabilities (2021: £5.5M). The aim of the Trustees of the pension fund and the Institution is to transfer the total risk to an acceptable financial vehicle, such as an insurance company, in the medium-term.

Due to the decline in investments, group reserves decreased to £33.5M from £35.2M in 2021. The Institution continues to remain financially sound. The Trustee Board is committed to maintaining financial prudence and, in particular, making an overall surplus and increasing free reserves.

Degree of Financial Dependency

The Institution is dependent on the voluntary efforts of its members. However, there is no significant degree of dependence on any single member or small group of members in respect of voluntary effort or financial contributions.

Income from events and publications is also derived from a significant number of independent sources. However, the success of these activities is dependent on the general state of the economy.

Going Concern

The Trustees have considered several factors in concluding that the adoption of a going concern basis in the preparation of these financial statements is appropriate. These factors have included a summary of the key risks and uncertainties in the context of the Institution's operations and a review of the budgets and forecasts, including cash flows and sensitivity analysis. The future forecast considers the mitigating actions the Institution has taken and considers both immediate liquidity and longer-term solvency, together with the impact on reserves.

Working capital requirements are met through a combination of income received from the Institution's activities, including commercial activities undertaken in the Institution's trading subsidiaries. The Institution has the ability to drawdown against funds held within the Institution's unrestricted investment portfolio if required. The Institution does not have any debt facilities but has £0.1M of COVID-19 bounce back loans within the trading subsidiaries.

Membership income is a key income stream and the Institution continues to ensure the delivery of value from being a member to guard against any decline. The experience of 2021 has been incorporated into future forecasts.

As detailed above, Trustees have reviewed sensitivities and approved a 2023 budget reflecting expected levels of income to maintain free reserves during the year.

Having regard to the above, the Trustees believe it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Summary of Funds and Investments

General

A description of all the various funds included within the Institution's accounts is provided below.

Investment policy and returns

The Trustee Board has established an investment policy which is reviewed on an annual basis. The policy includes the following principles:

1. A diversity of investments will be held, in so far as is appropriate to the fund concerned. This may be achieved via a pooled investment vehicle like a unit trust or investment trust.
2. Investment policy will be appropriate to the needs of the fund.
3. Appropriately authorised investment managers will be employed.
4. Appropriately authorised nominees may be employed to hold individual stocks and shares. The investment managers work towards the following objectives:

Reserve Fund, General Trust and James Clayton Trust

Target asset allocations have been set for each fund with the objective of outperforming the relevant composite benchmark by 0.5% over rolling three-year periods. The composite benchmark being calculated using the asset allocations and an appropriate index for the asset class.

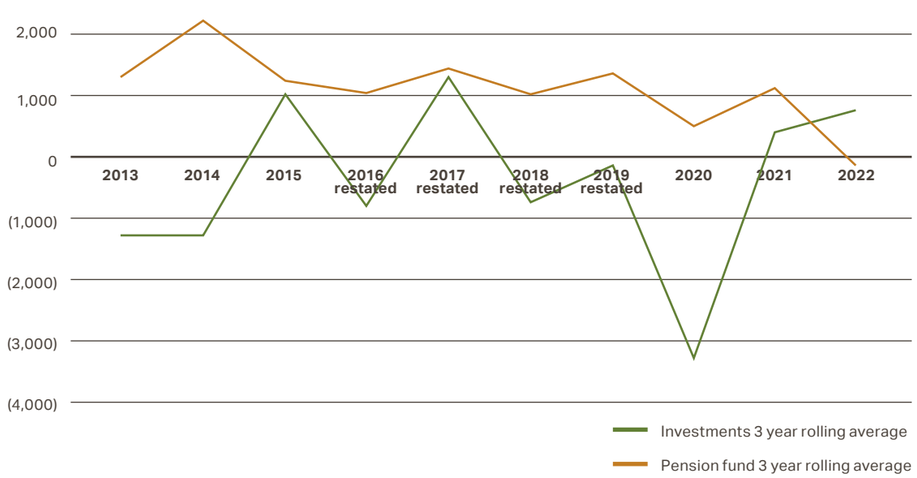
Other Trusts

Funds are invested in special pooled funds restricted to charity use. It is not appropriate to set individual objectives for these investments. However, performance is compared against statistics prepared by the Investment Management company.

A summary of the total annual rates of return (income and capital) achieved on investments during 2022 and 2021 is as follows:

	Year to 31.12.22	Year to 31.12.21
	%	%
Reserve Fund	(6.7)	10.3
General Trust	(6.8)	10.5
James Clayton Trust	(6.8)	10.4
Charities Official Investment Fund income units	(9.1)	17.4
Whitworth Scholarships Fund – Charishare	(0.2)	14.9
Whitworth Scholarships Fund – Charinco	(17.3)	(3.7)

Figure 7: Investment and pension fund gains/losses trends 2013–2022 £000



STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF TRUSTEES' ANNUAL REPORT AND THE FINANCIAL STATEMENTS

Under the trust deed and rules of the charity and charity law, the Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Charity law requires the Trustees to prepare financial statements for each financial year. The Trustees have elected to prepare the financial statements in accordance with FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The group and charity's financial statements are required by law to give a true and fair view of the state of affairs of the group and the charity and of the group's excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the Trustees:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- State whether the financial statements comply with the trust deed and rules, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the charity will continue in business.

The Trustees are required to act in accordance with the trust deed and the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the Trustees to ensure that, where any statements of accounts are prepared by them under section 132(1) of the Charities Act 2011, those statements of accounts comply with the requirements of regulations under that provision. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities. The Trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Fundraising

The charity had no fundraising activities requiring disclosure under S162A of the Charities Act 2011.

Disclosure of Information to Auditor

The Trustees who held office at the date of approval of this Trustees' Annual Report confirm that, so far as they are each aware, there is no relevant audit information of which the Institution's auditor is unaware; and each Trustee has taken all the steps that he/she ought to have taken as a Trustee to make himself/herself aware of any relevant information and to establish that the Institution's auditor is aware of that information. The financial statements have been prepared in accordance with the accounting policies set out in the notes to the accounts and comply with the charity's governing documents, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, published on 16 July 2014.

This annual report was approved by the Trustee Board on 26 April 2023 and was signed on its behalf by



Phil Peel
President



Clive Hickman
Chair, Finance Board



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We saw
190 teams
from **27 countries**
taking part in our 5
Challenge events.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF INSTITUTION OF MECHANICAL ENGINEERS

Opinion on the financial statements

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 2022 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, Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006, as amended.

We have audited the financial statements of Institution of Mechanical Engineers ("the Parent Charity") and its subsidiaries ("the Group") for the year ended 31 December 2022 which comprise the consolidated statement of financial activities, the consolidated balance sheets, the consolidated statement of cash flows 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

Conclusions related to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Trustee Board's Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 themselves. 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 and Reports) Regulations 2008 and the Charities

Accounts (Scotland) Regulations 2006 requires us to report to you if, in our opinion;

- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is inconsistent in any material respect with the financial statements; or
- adequate and 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 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, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Group'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 151 of the Charities Act 2011 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Acts 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the sector in which it operates;
- Discussion with management and those charged with governance and the Audit & Risk Committee;
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations; and

we considered the significant laws and regulations to be the Charities Act in the UK, UK GAAP and UK tax legislation.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the Charity Commission

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management, the Audit & Risk Committee and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these; and
- Assessing the design and operating effectiveness of controls and procedures relevant to the preparation of the financial statements and the detection and prevention of irregularities and fraud.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias, including the valuation and assumptions used to value the defined benefit pension scheme;
- Reviewing performance related payments made to staff, with particular challenge as to whether individuals receiving such payments were able to influence the metrics used to determine amounts to be paid; and
- Incorporating unpredictability into our testing approach through amending the nature and extent of audit procedures.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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 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.

DocuSigned by:
BDO LLP
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BDO LLP, statutory auditor
London, UK

Date: 28 April 2023

BBDO 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).

FINANCIAL STATEMENTS

Year ended 31 December 2022

Consolidated Statement of Financial Activities

	Notes	Unrestricted Funds	Restricted Funds	Endowment Funds	2022 Total	2021 Total
Income and Endowments from:		£'000	£'000	£'000	£'000	£'000
Donations and Legacies		21	–	–	21	113
Charitable Activities						
Membership Subscriptions		12,706	–	–	12,706	12,436
Groups, Divisions and Events		1,621	–	–	1,621	1,117
Professional Development and Membership		211	–	–	211	174
Information and Library Services		4	–	–	4	3
Apprentice End Point Assessment		2,243	–	–	2,243	1,172
Other trading activities						
Venue Hire, Training, Exam Services, Consultancy, Flawed Samples		10,668	–	–	10,668	6,353
Marketing, Advertising and Merchandise		7	–	–	7	–
Investments						
Interest and Dividends	14	145	556	–	701	637
Other						
Other Income	2	4	–	–	4	91
Rents Receivable		524	–	–	524	506
Total		28,154	556	–	28,710	22,602
Expenditure on:						
Raising funds						
Non-charitable Trading Activities		11,344	–	–	11,344	7,015
Investment Management Costs		6	10	–	16	10
Charitable Activities						
Groups, Divisions and Events		5,236	–	–	5,236	4,369
Marketing		2,182	–	–	2,182	1,686
Business Development		2,148	–	–	2,148	2,395
Apprentice End Point Assessment		2,178	–	–	2,178	1,162
Professional Development		914	–	–	914	763
Information and Library Services		804	–	–	804	801
Membership Subscriptions		2,617	–	–	2,617	2,527
Tenants and Public Facilities		495	–	–	495	400
Prizes, Awards and Scholarships		28	561	–	589	735
Total	3	27,952	571	–	28,523	21,863
Net (losses)/gains on investment assets	13/14	(219)	(139)	(1,224)	(1,582)	1,776
Net (expenditure)/income		(17)	(154)	(1,224)	(1,395)	2,515
Other recognised gains/(losses)						
Actuarial (losses)/gains on defined benefit pension scheme	10	(301)	–	–	(301)	9,425
Net movement in funds		(318)	(154)	(1,224)	(1,696)	11,940
Reconciliation of funds						
Total funds brought forward		19,716	3,592	11,842	35,150	23,210
Total funds carried forward	22	19,398	3,438	10,618	33,454	35,150

The notes to the accounts numbered 1 to 27 form part of these accounts.

Statement of Financial Activities

Comparative Information	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2021 Total £'000
Total Income	22,090	512	–	22,602
Total expenditure	(21,202)	(661)	–	(21,863)
Net investment gains	399	252	1,125	1,776
Actuarial losses on defined benefit pension scheme	9,425	–	–	9,425
Net movement in funds	10,712	103	1,125	11,940

Consolidated Balance Sheets as at 31 December 2022

		Group		Institution	
	Notes	2022	2021	2022	2021
		£'000	£'000	£'000	£'000
Fixed Assets					
Intangible assets	11	3,446	3,530	3,172	3,322
Tangible assets	12	5,897	6,298	5,168	5,516
Investments: mixed-motive	13	3,082	2,908	3,082	2,908
Investments: listed	14	18,155	19,876	11,366	12,736
Total fixed assets		30,580	32,612	22,788	24,482
Current Assets					
Stocks	15	191	246	12	–
Debtors	16	3,393	3,175	7,423	7,353
Cash at bank and in hand		7,537	7,210	6,424	6,619
Total current assets		11,121	10,631	13,859	13,972
Liabilities					
Creditors: amounts falling due within one year	17	8,184	8,010	6,687	6,460
Net current assets		2,937	2,621	7,172	7,512
Total assets less current liabilities		33,517	35,233	29,960	31,994
Creditors: amounts falling due after one year	18	63	83	–	–
Total net assets	22	33,454	35,150	29,960	31,994
The Funds of the Charity					
Endowment funds		10,618	11,842	6,632	7,644
Restricted income funds		3,438	3,592	720	702
Unrestricted funds		19,398	19,716	22,608	23,648
Total unrestricted funds		19,398	19,716	22,608	23,648
Total charity funds	21	33,454	35,150	29,960	31,994

The consolidated statement of financial activities is for the Group as a whole. The Charity's total income for the year was £18,096k (2021: £16,229k). The Charity's total funds decreased by £2,034k (2021: £11,708k increase).

The financial statements were approved by the Trustee Board on 26 April 2023 and were signed on its behalf by:

Phil Peel
President

Clive Hickman
Chair, Finance Board

The notes to the accounts numbered 1 to 27 form part of these accounts. Charity Registration No: 206882.

Consolidated Statement of Cash Flows

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities:			
Net cash provided by /(used in) operating activities	25	848	1,805
Cash flows from investing activities:			
Dividends, interest and rent from investments	14	701	637
Purchase of property, plant and equipment	12	(311)	(366)
Proceeds from sale of property, plant and equipment		7	5
Purchase of mixed-motive investments	13	(36)	(35)
Purchase of intangible assets	11	(864)	(1,030)
Proceeds from sale of investments	14	–	3
Cash awaiting investment		–	12
Net cash used in investing activities		(503)	(774)
Cash flows from financing activities:			
New bank loans		–	100
Bank loan repayments		(18)	–
Net cash flows provided by financing activities		(18)	100
Change in cash and cash equivalents in the reporting period		327	1,131
Cash and cash equivalents at the beginning of the reporting period		7,210	6,079
Cash and cash equivalents at the end of the reporting period		7,537	7,210

The notes to the accounts numbered 1 to 26 form part of these accounts.

Analysis of Net Funds

Group

	Balance 01.01.2022 £'000	CashFlows £'000	Balance 31.12.2022 £'000
Cash and cash equivalents			
Cash awaiting investment	41	–	41
Cash at bank and in hand	7,210	327	7,537
	7,251	327	7,578
Borrowings			
Debt due within one year	(17)	(2)	(19)
Debt due after one year	(83)	20	(63)
	(100)	18	(82)
Total	7,151	345	7,496

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting Policies

The Charity is registered with the Charity Commission (registered number: 206882), and the Scottish Charity Regulator (registered number: SCO51227) domiciled in the UK and is a public benefit entity and incorporated by Royal Charter in 1930. The address of the registered office is 1 Birdcage Walk, London, SW1H 9JJ

a) Basis of preparation

The Financial Statements have been prepared in accordance with the Charities SORP, FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and applicable UK charity law.

The Financial statements have been prepared to give a true and fair view and have departed from the charities (Accounts and Reports) Regulation 2008 only to the extent required to give a true and fair view. This departure has involved following 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 (FRS102) effective 1 January 2019 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

The annual accounts have been prepared on the historical cost basis of accounting, modified by the recognition of certain financial assets and liabilities measured at fair value.

b) Going concern

The Trustees have considered several factors in concluding that the adoption of a going concern basis in the preparation of these financial statements is appropriate. These factors have included a summary of the key risks and uncertainties in the context of the Institution's operations (including COVID-19) and a review of the budgets and forecasts, including cash flows and sensitivity analysis.

The budgets and forecasts consider the mitigating actions the Institution can deploy and consider both immediate liquidity and longer term solvency, together with the impact on reserves.

Working capital requirements are met through a combination of income received from the Institution's activities, including commercial activities undertaken in the Institution's trading subsidiaries. The Institution has the ability to drawdown against funds held within the Institution's unrestricted investment portfolio if required. The Institution does not have any debt facilities other than the bounce back loans taken out by two commercial subsidiaries (Notes 17 and 18).

The impact of the COVID-19 on the Institution's operations has substantially reduced during the year and we expect there to be no further impact in the future, subject to unexpected developments in new variants. However, the move to on-line activities will partially remain through a permanent hybrid approach which has proved both effective and popular, with some permanent cost savings as a result.

Membership income is a key income stream and the Institution continues to ensure the delivery of value from being a member to guard against any decline. The experience of 2021 has been incorporated into future forecasts.

1. Accounting Policies (continued)

As detailed above, Trustees have reviewed sensitivities and approved a 2023 budget reflecting expected levels of income to target a cash surplus during the year.

Having regard to the above, the Trustees believe there are no material uncertainties and therefore it is appropriate to adopt the going concern basis of accounting in preparing the financial statements.

c) Basis of consolidation

Consolidated figures for the Institution and group companies (see note 2 to the accounts) have been included in these financial statements for the year ended 31st December 2022. Companies acquired by the group are consolidated on an acquisition basis ie fair values are attributed to the Group's share of the net tangible assets and where the cost of acquisition (being the fair value of the purchase consideration and the expenses of the acquisition) is greater than the fair values attributable to such net assets, the difference is treated as goodwill.

d) Income

Income is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. No amounts are included in these financial statements for the services donated by volunteers.

With the exception of Membership Income, all income is included in the SOFA when the Institution is legally entitled to the income and the amount can be quantified with reasonable accuracy.

Membership subscription income is accounted for on the basis of the amount receivable for the year. Accordingly, the amounts received during the year in relation to future years are deferred. Members who join in the final quarter of the year are not charged subscriptions by the Institution for that year. The annual subscription payment received is treated as relating entirely to the following year and is deferred.

Pecuniary legacies are recognised when probate is in place. Residuary legacies are recognised when probate is granted, a copy of the will has been received to confirm the Institution's entitlement, and there is sufficient information to value them. In practice this is usually when the assets and liabilities statement is received. Reversionary interests involving a life tenant and contentious legacies are not recognised.

Income from contracts for the provision of professional services (professional development, information and library services, consultancy, flawed samples categories) is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. When the outcome cannot be estimated reliably, income is recognised only to the extent of the expenses recognised that are recoverable.

Income from events, apprentice end-point assessment, venue hire, training and exam services, are recognised on the basis of the amount receivable in the period in which the event takes place. Income from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, the amount can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the entity.

Notes to the Accounts for the year end (continued)

1. Accounting Policies (continued)

e) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation is calculated so as to write off the cost of fixed assets on a straight line basis at the following rates:

Freehold buildings: Building improvements	→ 2% on original purchases, 4% on improvements per annum
Leasehold buildings: Building improvements	→ 2% or over the period of the lease if quicker per annum
Furniture and equipment:	→ 20% to 33.3% per annum
Plant and equipment:	→ 10–20% per annum

Freehold land is not depreciated.

Fixed assets are regularly reviewed to consider whether they have been impaired and to ensure that the depreciation costs reflect their working life. Expenditure below £1,000 is not capitalised except laptops/computers.

f) Goodwill

Goodwill represents the excess of the cost of acquisition of incorporated and unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill shall be considered to have a finite useful life, and shall be amortised on a systematic basis over its economic life of five years.

Where there are indications of impairment, an impairment review is undertaken to assess a recoverable amount, which considers a service potential and not cash flows.

g) Website and digital transformation costs

Website costs are capitalised when it is probable that the expected future economic benefits that are attributable will flow to the Group and their costs can be reliably measured. Website and Digital Transformation costs are initially recognised at cost and amortised over the expected useful life of five years.

1. Accounting Policies (continued)

h) Impairment of tangible and intangible assets

At each reporting end date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in SOFA, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

i) Financial assets

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS102 to all of its financial instruments.

Financial assets are recognised in the company's statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

1. Accounting Policies (continued)

j) Financial liabilities

Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Other financial liabilities classified as fair value through profit or loss are measured at fair value.

k) Investments

Listed investments are stated at market value, valued at their bid price, at the balance sheet date.

It is the Group's policy to keep valuations of stock exchange listed investments up to date, such that when investments are sold there is no gain or loss arising relating to prior years. As a result the statement of financial activities does not distinguish between the valuation adjustments relating to sales and those relating to continued holdings, as they are together treated as changes in the value of the investment portfolio throughout the year. Investments not listed on a recognised stock exchange are valued at fair value, unless there is no reliable basis of valuation, in which case they are valued at cost.

Mixed-motive investments

The Institution formed a limited partnership with Stephenson LP in February 2014 to make venture capital investments into a portfolio of companies involved in or associated with young innovative engineering businesses. This investment has a genuine mixed motive because investment is being made both for financial return but also to advance engineering. The investment is held at fair value based on the most recent share sale prices of the underlying investments, less any impairment. If there is objective evidence of impairment, then an immediate impairment loss is recognised in the statement of financial activities.

l) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to Statement of Financial Activities.

m) Expenditure

Expenditure is included in the Statement of Financial Activities on an accruals basis and is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

n) Stocks

Stock classified as finished goods per sale are stated at the lower of cost and net realisable value using FIFO method. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

1. Accounting Policies (continued)

Work-in progress is assessed on an individual basis based on the stage of completion of the contract which is estimated using combination of the milestones in the contract and the time spent to date compared to the total time expected to be required to undertake the contract. Estimates of the total time required to undertake the contracts are made on a regular basis and subject to management review. These estimates may differ from the actual results due to a variety of factors such as efficiency of working, accuracy of assessment of progress to date and client decision making.

See note 15 for the disclosure of the amount of work in progress as at the balance sheet date. Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

o) Retirement benefit

The Charity operates a defined benefit pension scheme which was closed to new members in 2002 and is also closed to future accrual. It also operates a defined contribution scheme open to existing staff.

Defined benefit pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability.

For the defined benefit pension scheme, the current service costs, gains and losses on settlements and curtailments, and administrative costs are charged to expenditure. They are included as part of staff costs. Actuarial gains and losses are recognised immediately in 'Other recognised gains/(losses)'.

For the defined contribution scheme, the amounts charged to expenditure in respect of pension costs and the post-retirement benefits are the contributions payable in the year.

p) Operating leases

Rents payable under operating leases are recognised in the Statement of Financial Activities in the year in which they fall due.

Future commitments under operating leases are disclosed in the notes to the financial statements.

q) Grant commitments

Scholarships are awarded for a period of study, usually three academic years, with the students' progress being assessed on an annual basis.

Expenditure is not accrued beyond each academic year as future payments are subject to a review by the relevant panel which therefore has discretion to terminate the funding agreement in case the performance related conditions are not met.

Prizes are paid in one instalment at the beginning of the academic year, with the exception of scholarships through the Whitworth fund, which are paid in three termly instalments.

Multi-year grants that do not meet the recognition criteria are disclosed as contingent liabilities in the notes to the financial statements.

1. Accounting Policies (continued)

r) Critical accounting estimates and judgements

In the application of the accounting policies, the Trustees are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. Judgements and estimates are also required for the allocation of support costs to the expenditure headings in the statement of financial activities, as set out in Note 3.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities have been outlined as follows.

Intangible fixed assets

The majority of the cost of intangible fixed assets are based on the capitalisation of both internal and external staff costs. These are allocated to specific projects based on a monthly review of time spent and development output conducted by the Chief Technology Officer, for the charity digital modernisation programme, or the relevant General Manager, for commercial training course development.

An annual review is conducted to assess the carrying value of the projects against future expected economic benefits.

Unlisted investments

The Group makes an estimate of the fair value of unlisted investments based on the last price paid for shares and subject to an impairment review for any material changes in circumstance since the last share sale.

Actuarial assumptions in respect of defined benefit pension schemes

The application of actuarial assumptions relating to defined benefit pension schemes is incorporated in the financial statements in accordance with FRS102. In applying FRS102, advice is taken from independent qualified actuaries. In this context, significant judgement is exercised in a number of areas, including future changes in salaries and inflation, mortality rates and the selection of appropriate discount rates.

Bad debt provision

The Group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtors, the aging profile of debtors and historical experience.

1. Accounting Policies (continued)

s) Reserves

Unrestricted funds are those available for application against any of the charity's objectives. Restricted funds are those only available for certain purposes defined by the provider of the original funds. Permanent endowment funds are those where the original gift may not be spent, only any income on those funds, which is placed into a related restricted fund. Expendable endowment funds are those where both the income and the original capital may be spent.

t) Taxation

As a charity the Institution is exempt from corporation tax. The tax expense represents the sum of the corporation tax currently payable and deferred tax in the commercial subsidiaries. The companies liabilities for current tax are calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Input VAT relating to taxable activities is fully recoverable, and relating to exempt and out of scope activities is irrecoverable. VAT on support costs is partially recoverable, with the recoverable percentage being recalculated each year. Any irrecoverable VAT is recognised as an expense through support costs in the period to which it relates.

u) Heritage assets

Heritage assets comprise:

- printed books
- archives
- works of art and artefacts

Additions to heritage assets are made by donation. Reliable and relevant information on the cost of many of the assets is therefore not readily available and there is a lack of comparable market values. As such, none of these assets are recognised in the accounts. Moreover, the Trustees do not consider that a reliable estimate of the fair value can be obtained without incurring costs that would exceed the benefits provided.

2. Net Incoming Resources

The consolidated results for the Institution are presented in the statement of financial activities. These include the activity of the parent charity, The Institution of Mechanical Engineers, and the activities of its 100% owned subsidiaries, as detailed below. The incoming resources of the Institution alone for 2022 were £18,096k (2021: £16,229k), and resources expended in 2022 were £18,601k (2021: £15,125k).

Other Income

	2022 £'000	2021 £'000
Government grants - furlough scheme	–	90
Profit on disposal of fixed assets	4	1
	4	91

Subsidiary companies

Professional Engineering Projects Ltd, a wholly owned subsidiary, registered in England and Wales (Reg N 01103638), was established by the Institution as an organisation from which it could conduct the majority of its publishing activities, including the magazines that are made available to members. Whilst this main trade was disposed of during 2010, the company continues to carry on trading in non-charitable activities, mainly provision of training to engineers.

The company also has four wholly owned subsidiary companies, IMechE Services Ltd (Reg N 01361114), IMechE Fife NDT Limited (Reg N 01917207), Siantonas Ball Ltd (Reg N 01655732), Sonaspection Worldwide Limited (Reg N 04891363), all registered in England and Wales, which carry on non-charitable trading activities. These activities are consolidated on a line by line basis with the relevant amounts described as "Other non-charitable trading activities" under Incoming Resources and Resources Expended in the Consolidated Statement of Financial Activities. Siantonas Ball Ltd became dormant on 1st January 2014.

Sonaspection Worldwide has two wholly owned subsidiary companies, Sonaspection International Limited (Reg N 02050101) registered in England and Wales and Sonaspection Incorporated registered in the United States of America, which carry on non-charitable activities. These activities are consolidated on a line by line basis with the relevant amounts described as "Other non-charitable trading activities" under Incoming Resources and Resources Expended in the Consolidated Statement of Financial Activities.

The whole of the issued share capital of Professional Engineering Projects Ltd (£2) is held by nominees on behalf of the Institution. A summary of the company's consolidated profit and loss account is shown below. Audited accounts are filed with the Registrar of Companies for the individual companies. These figures are subject to the adjustments mentioned above prior to their incorporation in the Consolidated Statement of Financial Activities.

The Whitworth Scholarships Fund, registered charity No. 313756, was established in 1868 under a deed of covenant and trust between Sir Joseph Whitworth and the then President of the Committee of Council on Education. The Fund is now governed under the terms of a Scheme made by the Charity Commissioners for England and Wales dated 11 December 2001, with the Institution of Mechanical Engineers as the controlling entity.

2. Net Incoming Resources (continued)

Subsidiary Companies 2022

	PEP	Sona Int'l	Sona Inc	IMechE Services	IMechE Fife NDT	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	6,041	2,557	1,028	–	469	10,095
Cost of Sales	(2,308)	(1,438)	(710)	–	(354)	(4,810)
Gross profit	3,733	1,119	318	–	115	5,285
Distribution costs	–	(57)	–	–	(1)	(58)
Administration costs	(3,812)	(715)	(425)	(3)	(247)	(5,202)
Interest payable to the Institution	(148)	–	–	–	–	(148)
Profit/(loss) on ordinary activities before tax	(227)	347	(107)	(3)	(133)	(123)
Taxation	–	2	–	–	–	2
Profit/(loss) for the year	(227)	349	(107)	(3)	(133)	(121)
Total assets	4,707	2,755	588	–	582	8,632
Total liabilities	(7,371)	(375)	(860)	(23)	(124)	(8,753)
Total funds	(2,664)	2,380	(272)	(23)	458	(121)

Subsidiary Companies 2021

	PEP	Sona Int'l	Sona Inc	IMechE Services	IMechE Fife NDT	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	3,774	1,716	771	–	112	6,373
Cost of Sales	(1,194)	(855)	(422)	–	(40)	(2,511)
Gross profit	2,580	861	349	–	72	3,862
Distribution costs	–	(31)	(28)	–	–	(59)
Administration costs	(2,974)	(600)	(372)	(3)	(212)	(4,161)
Interest payable to the Institution	(108)	–	–	–	–	(108)
Other income	70	–	83	–	–	153
Profit/(loss) on ordinary activities before tax	(432)	230	32	(3)	(140)	(313)
Dividends payable	–	–	–	–	–	–
Taxation	82	(27)	–	–	–	55
Profit/(loss) for the year	(350)	203	32	(3)	(140)	(258)
Total assets	4,091	2,534	523	–	938	8,086
Total liabilities	(7,370)	(503)	(689)	(21)	(347)	(8,930)
Total funds	(3,279)	2,031	(166)	(21)	591	(844)

3. Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to that category.

For administrative purposes the Institution is divided into a number of directorates and then subdivided into departments. Accounting records permit the costs and revenues of all departments to be determined accurately.

The classification of costs in the Consolidated Statement of Financial Activities utilises this information to show expenditure broken-down into broad functional areas.

Where costs cannot be directly attributed to a particular heading, they have been allocated to activities on the basis of headcount and floor area.

Resources expended 2022

	Direct Costs	Allocated Support Costs	Total
	£'000	£'000	£'000
Raising funds			
Non Charitable activities	10,533	811	11,344
Investment management costs	16	–	16
Charitable activities			
Marketing and Policy	993	1,189	2,182
Groups, Divisions and Events	3,516	1,720	5,236
Business development	1,141	1,007	2,148
Apprentice End Point Assessment	1,956	222	2,178
Professional development	353	561	914
Library	484	320	804
Membership	1,069	1,548	2,617
Public facilities – Birdcage Walk	–	495	495
Prizes, Awards and Scholarships	589	–	589
Total resources expended	20,650	7,873	28,523

Resources expended 2021

	£'000	£'000	£'000
Raising funds			
Non Charitable activities	6,051	964	7,015
Investment management costs	10	–	10
Charitable activities			
Marketing and Policy	814	872	1,686
Groups, Divisions and Events	2,587	1,782	4,369
Business development	1,011	1,384	2,395
Apprentice End Point Assessment	1,048	114	1,162
Professional development	289	474	763
Library	475	326	801
Membership	1,064	1,463	2,527
Public facilities – Birdcage Walk	–	400	400
Prizes, Awards and Scholarships	735	–	735
Total resources expended	14,084	7,779	21,863

3. Expenditure (continued)

Allocated Support Costs 2022

	Governance & Management	Finance	Information Technology	Facilities & Depreciation	Defined Benefit Pension Scheme	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Non-charitable activities	137	180	356	138	–	811
Marketing	465	87	261	339	37	1,189
Groups, Divisions and Events	673	126	377	490	54	1,720
Business Development	394	74	220	287	32	1,007
Apprentice End Point Assessment	90	17	50	65	–	222
Professional Development	219	41	123	160	18	561
Information and Library Services	120	22	67	101	10	320
Membership Subscriptions	606	113	339	441	49	1,548
Tenants and Public Facilities	–	–	–	495	–	495
Total support costs allocated	2,704	660	1,793	2,516	200	7,873
Allocation basis	*Headcount*	*Headcount*	*Headcount*	*Floor Area*	*Headcount*	

2021

	Governance & Management	Finance	Information Technology	Facilities & Depreciation	Defined Benefit Pension Scheme	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Non-charitable activities	140	180	300	344	–	964
Marketing	307	78	173	272	42	872
Groups, Divisions and Events	628	159	354	555	86	1,782
Business Development	488	123	275	431	67	1,384
Apprentice End Point Assessment	42	11	24	37	–	114
Professional Development	167	42	94	148	23	474
Information and Library Services	112	28	63	108	15	326
Membership Subscriptions	516	130	291	455	71	1,463
Tenants and Public Facilities	–	–	–	400	–	400
Total	2,400	751	1,574	2,750	304	7,779
Allocation basis	*Headcount*	*Headcount*	*Headcount*	*Floor Area*	*Headcount*	

Support costs comprises finance, IT, HR, maintenance and running costs of One Birdcage Walk, closed defined-benefit pension costs, governance and management of IMechE.

These costs are allocated to IMechE's charitable and commercial activities on a pro-rata basis using headcount or floor area.

To resolve a dispute at the Institution, and acting in the best interests of the charity and with Charity Commission approval, the charity has made a settlement payment of £125k to a past Trustee with no admission of liability, which is included in the Governance and Management costs.

4. Taxation

The Institution is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable trust for UK income tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Part 10 Income Tax Act 2007 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.

The charity's trading subsidiaries are subject to corporation tax; however all of their taxable profits are paid to the Institution under gift aid.

5. Transactions with Members of the Trustee Board

	2022	2021
	£'000	£'000
Travel and subsistence expenses	25	3
	No.	**No.**
Number of members reimbursed	6	2

All Trustee costs are reimbursements to Trustees for costs incurred in fulfilling their duties.

The Trustees nor any person connected with them receive remuneration.

6. Indemnity Insurance

	2022	2021
	£'000	£'000
Indemnity insurance premiums paid	10	13

During 2022 the Institution paid for two insurance policies, covering professional indemnity and the liabilities of Trustees and "directors and officers". Cover applies to the Trustee Board, ordinary members involved with Institution affairs and employees.

7. Staff Employed

	2022	2021
	No.	No.
Average numbers of staff employed throughout the year:		
The Institution of Mechanical Engineers	137	130
Professional Engineering Projects Limited	49	42
Sonaspection International Ltd	21	18
Sonaspection Incorporated	11	6
IMechE Fife NDT Ltd	6	4
Total employees	224	200

8. Employment Costs

	2022	2021
	£'000	£'000
Salaries and benefits	9,908	8,479
Employer's social security costs	1,046	798
Employer's pension costs	557	467
Total	11,511	9,744

The numbers of employees whose emoluments, excluding employer's pension contributions, exceeded £60,000 are analysed as follows:

	2022	2021
	No.	No.
£60,001 - £70,000	15	15
£70,001 - £80,000	9	7
£80,001 - £90,000	6	3
£90,001 - £100,000	4	3
£100,001 - £110,000	2	2
£110,001 - £120,000	1	–
£120,001 - £130,000	1	–
£130,001 - £140,000	–	1
£150,001 - £160,000	–	1
£170,001 - £180,000	1	–
£180,001 - £190,000	1	–
Total	40	32

8. Employment Costs (continued)

40 of the above employees are members of the defined contribution scheme and none (2021: 30) are active members of the defined benefit scheme. The Institution contributed £233,403 as employer pension contributions (2021: £144,456) for these members into the defined contribution scheme.

During the year key management received remunerations and benefits of £733,328 (2021: £516,665). The remuneration of key management consists of salary, employers' national insurance contributions, pension contributions and benefits in kind.

Number of Directors in 2022: 5 (2021: 4)

The charity designated five directors as key management personnel.

	2022	2021
	£'000	£'000
Highest paid director - Dr Alice Bunn (2021: Sean Fox)		
Salary	163	137
Benefits	10	21
Total	173	158

6 employees were made redundant during the year (2021: 4). The cost of redundancies of £141,292 was paid during 2022 (2021: £103,181). Included within these costs were ex-gratia costs of £43,562, payable to 5 people (2021: £31,451 to 4 people).

9. Auditor's Remuneration

	2022	2021
	£'000	£'000
Fees for: the audit of 2022 financial statements	101	75
Fees for: the audit of other group companies	47	32
Fees for: in relation to the prior year audit	7	75
Total	155	182

10. Pensions

The Institution operates a defined benefit pension arrangement called the Institution of Mechanical Engineers Staff Pension & Life Assurance Scheme (the Scheme). The Scheme is closed to new members with an effective date of 5 September 2002, and is closed to future accrual. The most recent comprehensive actuarial valuation of the Scheme was carried out as at 31 December 2020, and the next valuation of the Scheme is due as at 31 December 2023.

A defined contribution pension plan has been established for employees who are not eligible to join the defined benefit pension scheme. The Institution has agreed to match employee contributions to the defined contribution plan up to a maximum of 10% of salary. There is an outstanding contribution at the end of the financial year of £112,661 (2021: £102,388).

The pension cost charge for the period represents contributions payable by the Institution to the defined benefit pension plan and amounted to £500,000 (2021: £410,000).

Assumptions

	2022 %	2021 %
Price inflation (RPI)	3.00	3.10
Price inflation (CPI)	2.60	2.70
Salary increases	3.50	3.60
Return on Assets	*	*
Discount rate	4.70	1.80

* Equal to the discount rate (in line with FRS102).

Mortality assumptions used in 2022 and 2021 are based on the S3PxA tables adjusted to reflect the broad wealth characteristics of each member. Future improvements are assumed to be in line with the CMI projection model, assuming improvements have peaked. The long term improvement is assumed to be 1.25% p.a. (2021: 1.25% p.a.), with weight parameters of 15% (2021: 0%). Members are assumed to take 80% of the maximum cash at retirement.

The assumptions result in life expectancies as follows:

	31.12.22 years	31.12.21 years
Male aged 45	87.7	88.3
Male aged 65	86.5	87.0
Female aged 45	90.6	91.0
Female aged 65	89.2	89.5

10. Pensions (continued)

Current asset split

	Bid values as at 31 Dec 2022 £'000
Equities	19,488
Liability Driven Investments	17,210
Corporate Bonds	3,292
Global Asset-Backed Securities	18
Cash	322
Annuities	40
Total assets	40,370

Balance sheet

	2022 £'000	2021 £'000
Fair value of plan assets	40,370	62,437
Present value of funded obligations	(39,067)	(60,516)
Surplus/(deficit) in scheme	1,303	1,921
Effect of asset ceiling	(1,303)	(1,921)
Net defined benefit asset/(liability)	–	–

Amount recognised in SOFA

	2022 £'000	2021 £'000
Current service cost	200	180
Interest on liabilities	1,071	873
Interest on assets	(1,108)	(750)
Interest on effect of asset ceiling	35	–
Total charge to SOFA	198	303

Remeasurements over the period

	2022 £'000	2021 £'000
Loss/(gain) on assets in excess of interest	21,387	(4,725)
Experience losses/(gains) on liabilities	2,048	(305)
Losses/(gains) from changes to demographic assumptions	(719)	(1,177)
Losses/(gains) from changes to financial assumptions	(21,762)	(5,139)
Losses/(gains) from change in effect of asset ceiling	(653)	1,921
Total remeasurements	301	(9,425)

10. Pensions (continued)

Change in the value of assets

	2022 £'000	2021 £'000
Fair value of assets at start of period	62,437	58,484
Interest on assets	1,108	750
Company contributions	500	410
Benefits paid (including expenses)	(2,288)	(1,932)
Return on assets less interest	(21,387)	4,725
Fair value of assets at end of period	40,370	62,437
Actuarial return on assets	**(20,279)**	

Change in value of the DB liabilities

	2022 £'000	2021 £'000
Value of liabilities at start of period	60,516	68,016
Current service cost	200	180
Interest on liabilities	1,071	873
Benefits paid (including expenses)	(2,288)	(1,932)
Experience (gain)/loss on liabilities	2,048	(305)
Changes to demographic assumptions	(719)	(1,177)
Changes to financial assumptions	(21,762)	(5,139)
Value of liabilities at end of period	39,066	60,516

Reconciliation of effect of asset ceiling

	2022 £'000	2021 £'000
Effect of asset ceiling at start of period	1,921	–
Interest on effect of asset ceiling	35	–
Actuarial losses/(gains) on effect of asset ceiling	(653)	1,921
Effect of asset ceiling at end of period	1,303	1,921

10. Pensions (continued)

Sensitivity of the value placed on the liabilities

	Approximate effect on liability £'000
Discount rate -0.5% p.a.	+ 2,636
Inflation +0.5% p.a.	+ 1,234
Long term rate of mortality improvement increased to 1.5% p.a.	+ 263

Projected SOFA charge for next period

	2023 £'000
Current service cost	200
Interest on liabilities	1,791
Interest on assets	(1,859)
Interest on effect of asset ceiling	61
Total charge to SOFA	193

The deficit shown in the accounts reflects the methodology and assumptions required to be used for accounting purposes.

The Institution expects to pay contributions of £500,000 in the year to 31 December 2023.

11. Fixed Assets – Intangible Assets

Group

	Goodwill	Website & DM costs	Total
	£'000	£'000	£'000
Cost			
At 1 January 2022	5,232	5,705	10,937
Additions	–	864	864
At 31 December 2022	5,232	6,569	11,801
Depreciation			
At 1 January 2022	5,232	2,175	7,407
Amortisation charged	–	948	948
At 31 December 2022	5,232	3,123	8,355
Net Book Value			
At 31 December 2022	–	3,446	3,446
At 1 January 2022	–	3,530	3,530

Institution

	£'000	£'000
Cost		
At 1 January 2022	5,360	5,360
Additions	739	739
At 31 December 2022	6,099	6,099
Depreciation		
At 1 January 2022	2,038	2,038
Amortisation charged	889	889
At 31 December 2022	2,927	2,927
Net Book Value		
At 31 December 2022	3,173	3,173
At 1 January 2022	3,322	3,322

Website and Digital Modernisation Programme, Platform costs

The intangible assets for the Institution are represented by Website and Digital Modernisation (DM) costs. The website development was completed in March 2016 and begun being amortised from April. The DM projects started to come into use during 2019 althought there are still significant amounts still in development. Both website and DM costs were purchased and developed by the Institution.

12. Fixed Assets – Tangible Assets

Group

	Land & Property	Furniture & Equipment	Total
	£'000	£'000	£'000
Cost			
At 1 January 2022	10,789	2,324	13,113
Additions	24	287	311
Disposals/movements	–	(63)	(63)
At 31 December 2022	10,813	2,548	13,361
Depreciation			
At 1 January 2022	5,103	1,712	6,815
Disposals/movements	–	(61)	(61)
Depreciation charged	435	275	710
At 31 December 2022	5,538	1,926	7,464
Net Book Value			
At 31 December 2022	5,275	622	5,897
At 1 January 2022	5,686	612	6,298

Institution

	£'000	£'000	£'000
Cost			
At 1 January 2022	10,347	1,068	11,415
Additions	13	158	171
Disposals/movements	–	(53)	(53)
At 31 December 2022	10,360	1,173	11,533
Depreciation			
At 1 January 2022	5,028	871	5,899
Disposals/movements	–	(53)	(53)
Depreciation charged	385	134	519
At 31 December 2022	5,413	952	6,365
Net Book Value			
At 31 December 2022	4,947	221	5,168
At 1 January 2022	5,319	197	5,516

The Institution's head office at One Birdcage Walk is included in Land and Property above at its depreciated historical cost. The Trustees believe that its open market value is significantly in excess of this historical cost based on carrying value.

The Institution owns the freehold of One Birdcage Walk and its head office. Whilst part of the building is let out to third parties, the entire property is accounted for within tangible fixed assets at cost less depreciation as the fair value of the investment property component cannot be reliably measured without undue cost or undue cost or effort.

12. Fixed Assets – Tangible Assets (continued)

Heritage Assets

The Institution holds a collection of heritage assets relating to the history of the Institution itself and the wider history of mechanical engineering, which includes printed works, pictures, and other artefacts. All these items have been donated to the Institution some time ago and so information on their cost or valuation is not available and cannot be obtained at a cost commensurate with the benefit to the users of the accounts and the charity.

The collection is broadly split into the following categories:

Printed Works

The Institution has the one of the strongest specialist engineering libraries in the UK, holding unparalleled physical collections relating to mechanical engineering and comprising over 90,000 titles. These range from very early works such as Theatrum instrumentorum et machinarum, published in 1578, to extensive scarce nineteenth- and early twentieth-century works to current reference works and British Standards. Subjects covered include fluid mechanics, tribology, combustion engines, automotive engineering, environment and emissions, risk and reliability, energy, machine tools and pressure vessels.

Archives

The archive collection dates from 1726 and is comprised of documents, volumes, engineering drawings, digital files and an extensive photographic collection relating to engineers, engineering firms and engineering products. The collection also includes the business and administrative records of the Institution of Mechanical Engineers as well as the Institution of Locomotive Engineers and the Institution of Automobile Engineers.

Works of Art and Artefacts

The collection is comprised of over 50 portraits and busts of prominent engineers including many former Presidents of the Institution and over 100 artefacts including models, instruments and personal items of engineers.

The Institution's collections are managed by the Information and Library Service according to the relevant professional standards for each format of material. Expenditure which in the Trustees' view is required to preserve or clearly prevent deterioration of individual collection items is recognised in the income and expenditure account when it is incurred.

There have been 4 donations made in 2022 (2021:3). No further additions or disposals of heritage assets were made in the last 2 years.

13. Investments – Mixed Motive

Group and Institution

Analysis of Investments - UK	2022 Cost £'000	2022 Market Value £'000	2021 Cost £'000	2021 Market Value £'000
Stephenson LLP	1,879	3,082	1,843	2,908

Movement of Investments	2022 £'000	2021 £'000
Market value at 1 January	2,907	2 ,679
Acquisitions	36	35
Net investment (loss)/gain	139	193
Market value at 31 December	3,082	2,907
Unrealised investment gain at 31 December	1,193	1,054

14. Fixed Assets – Investments

Group

Analysis of Investments - UK	2022 Cost £'000	2022 Market Value £'000	2021 Cost £'000	2021 Market Value £'000
Fixed Interest Unit Trusts	170	474	170	599
Equities Unit Trusts	1,312	6,314	1,312	6,542
Charities Official Inv. Fund Income Units	1,066	3,091	1,066	3,502
Cash	41	41	41	41
Property – let on 999 year lease	9	9	9	9
	2,598	9,929	2,598	10,693
Multi-Asset Funds	7,815	8,226	7,815	9,183
Total Investments	10,413	18,155	10,413	19,876

14. Fixed Assets – Investments (continued)

Analysis of Funds and Ranges	2022 Cost £'000	2022 Market Value £'000	2021 Cost £'000	2021 Market Value £'000
Reserve Fund – Unrestricted				
Free range	3,028	3,111	3,028	3,470
	3,028	3,111	3,028	3,470
Whitworth Scholarships Fund				
Restricted	819	2,803	819	2,942
Endowment	663	3,986	663	4,198
	1,482	6,789	1,482	7,140
General Trust				
Wider range	3,378	3,632	3,378	4,055
	3,378	3,632	3,378	4,055
James Clayton				
Wider range	1,450	1,523	1,450	1,699
Special – property	9	9	9	9
	1,459	1,532	1,459	1,708
Education and Research				
Charities Official Inv. Fund Income Units	829	2,380	829	2,697
Sundry Small Trusts				
Charities Official Inv. Fund Income Units	237	711	237	806
	10,413	18,155	10,413	19,876

The above figures refer to investments held by the Group, the figures for the Institution exclude the investments held by the Whitworth Scholarships Fund.

The investments of the Reserve Fund, General Trust and James Clayton Trust are managed by Schroder & Co Ltd. Investments of the Whitworth Scholarships Fund are managed by Blackrock Investment Management (UK) Ltd. The let property is part of the James Clayton Trust Fund and was included as part of assets left to the Institution in the will of the late James Clayton. A summary of the investment powers can be found in the Administrative Details section.

The carrying value of investments in subsidiaries amounted to £2.

14. Fixed Assets – Investments (continued)

Movement of Investments	2022 £'000	2021 £'000
Market value at 1 January	19,835	18,257
Sales proceeds	–	(3)
Net investment gain / (loss)	(1,721)	1,581
Market value (excluding cash) at 31 December	18,114	19,835
Cash awaiting investment	41	41
Total market value at 31 December	18,155	19,876
Historic cost at 31 December	(10,413)	(10,413)
Unrealised investment gain at 31 December	7,742	9,463

Interest and Dividends	2022 £'000	2021 £'000
Dividends receivable from unit trusts	689	637
Bank interest - general funds	12	–
	701	637

All the dividend and loan stock interest arises from the investments detailed above.

15. Stocks

	Group		Institution	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Work in progress	29	128	–	–
Finished goods and goods for resale	162	118	12	–
	191	246	12	–

16. Debtors

	Group		Institution	
	2022	2021	2022	2021
Amounts due within 1 year:	£'000	£'000	£'000	£'000
Trade debtors	2,439	2,169	664	523
Other debtors incl VAT, other taxes	57	206	55	171
Prepayments and accrued income	897	800	699	642
Amounts due from group companies	–	–	1,726	896
	3,393	3,175	3,144	2,232
Amounts due after more than 1 year:				
Loans due from group companies	–	–	4,279	5,121
	3,393	3,175	7,423	7,353

Loans from group companies are charged interest at a rate of 2% above the National Westminster Bank base rate.

The loan was provided to Professional Engineering Projects Limited to permanently fund the acquisitions of the trading companies acquired between 2011 and 2015. It is repayable on 53 weeks notice or by any net proceeds of the sale of the acquired companies.

In 2022, the Trustees agreed to write off £842,292 of the loan balance. This amount related to the acquisition of a company that is no longer trading.

17. Creditors – Amounts Falling Due Within One Year

	Group		Institution	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Trade creditors	866	902	586	594
Other creditors	156	155	157	156
Accruals	1,429	1,645	879	1,202
Grants payable	174	169	–	–
Bank loan	19	17	–	–
Taxation and social security	1,021	308	928	241
	3,665	3,196	2,550	2,193
Deferred income	4,519	4,814	4,137	4,267
Total creditors	8,184	8,010	6,687	6,460

Deferred income represents the value of membership subscriptions, property rents, and event income received in respect of the next calendar year.

17. Creditors – Amounts Falling Due Within One Year (continued)

	Group		Institution	
	2022	2021	2022	2021
Reconciliation of deferred income:	£'000	£'000	£'000	£'000
Balance at 1 January	4,814	4,706	4,267	4,314
Amount released to income	(4,806)	(4,706)	(4,264)	(4,314)
Amount deferred in the year	4,511	4,814	4,134	4,267
Balance at 31 December	4,519	4,814	4,137	4,267

18. Creditors – Amounts Falling Due Greater than One Year

	Group		Institution	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Bank loan	63	83	–	–

The bank loans were issued under the COVID-19 'Bounce-back' scheme in January 2021. No interest charges or repayments were due for the first 12 months. The loan now bears interest at 2.5% and is repayable over a five year period.

19. Operating Lease Commitment

The operating lease charges represent leasehold leases from 3rd parties. The leases are negotiated over terms of 10 years and rentals are fixed for two years. All leases include a provision for five-yearly upward rent reviews according to prevailing market conditions. The next rent review will take place in 2024. The total of future minimum lease payments under non-cancellable operating leases for each of the following periods is:

	2022	2021
	£'000	£'000
Within one year	115	109
Between one and five years	475	482
Over five years	251	311
	841	902

20. Grant Commitments

These sums have been provisionally approved as grants to be made to current scholars for completion of their studies. Because the Trustees have further actions to take on them before releasing for payment, they have not been accrued in this year's accounts. No discounting has been applied to grant commitments due in more than one year.

	Group		Institution	
	2022 £'000	**2021** £'000	**2022** £'000	**2021** £'000
Scholarship commitments due within one year	153	159	82	91
Scholarship commitments due after one year	395	458	46	76
Total scholarship commitments	548	617	128	167

21. Analysis of Group Net Assets Between Funds

Group

Fund balances at 31 December 2022 are represented by:	**Unrestricted** £'000	**Endowment** £'000	**Restricted** £'000	**2022 Total** £'000
Intangible fixed assets	3,446	–	–	3,446
Tangible fixed assets	5,897	–	–	5,897
Investments: listed	3,111	12,218	2,826	18,155
Investments: social	3,082	–	–	3,082
Current assets and liabilities	3,925	(1,600)	612	2,937
Non-current liabilities	(63)	–	–	(63)
	19,398	10,618	3,438	33,454

Fund balances at 31 December 2021 are represented by:	£'000	£'000	£'000	2021 Total £'000
Intangible fixed assets	3,530	–	–	3,530
Tangible fixed assets	6,298	–	–	6,298
Investments: listed	3,389	13,438	3,049	19,876
Investments: social	2,908	–	–	2,908
Current assets and liabilities	3,674	(1,596)	543	2,621
Non-current liabilities	(83)	–	–	(83)
	19,716	11,842	3,592	35,150

21. Analysis of Group Net Assets Between Funds (continued)

Institution

Fund balances at 31 December 2022 are represented by:	**Unrestricted** £'000	**Endowment** £'000	**Restricted** £'000	**2022 Total** £'000
Intangible fixed assets	3,172	–	–	3,172
Tangible fixed assets	5,168	–	–	5,168
Investments: listed	3,111	8,232	23	11,366
Investments: social	3,082	–	–	3,082
Current assets and liabilities	8,075	(1,600)	697	7,172
	22,608	6,632	720	29,960

Fund balances at 31 December 2021 are represented by:	£'000	£'000	£'000	2021 Total £'000
Intangible fixed assets	3,322	–	–	3,322
Tangible fixed assets	5,516	–	–	5,516
Investments: listed	3,389	9,240	107	12,736
Investments: social	2,908	–	–	2,908
Current assets and liabilities	8,513	(1,596)	595	7,512
	23,648	7,644	702	31,994

22. Capital and Income Funds – Analysis

Group

	Balance 01.01.2022 £'000	**Incoming Resources** £'000	**Resources Expended** £'000	**Gains & (Losses)** £'000	**Balance 31.12.2022** £'000
Unrestricted Funds					
Institution, Reserve Fund & PEP Ltd	19,716	28,154	(27,952)	(520)	19,398
Restricted Funds					
Whitworth Scholarships Fund	2,890	237	(270)	(139)	2,718
General Trust (includes legacy)	–	159	(159)	–	–
James Clayton Trust	68	67	(54)	–	81
Trust for Education and Research	364	71	(70)	–	365
Sundry small trusts	270	22	(18)	–	274
	3,592	556	(571)	(139)	3,438
Endowment Funds					
Whitworth Scholarships Fund	4,198	–	–	(212)	3,986
General Trust (includes legacy)	2,968	–	–	(423)	2,545
James Clayton Trust	1,636	–	–	(177)	1,459
Trust for Education and Research	2,430	–	–	(317)	2,113
Sundry small trusts	610	–	–	(95)	515
	11,842	–	–	(1,224)	10,618
Total funds	35,150	28,710	(28,523)	(1,883)	33,454

22. Capital and Income Funds – Analysis (continued)

Institution

	Balance 01.01.2022 £'000	Incoming Resources £'000	Resources Expended £'000	Gains & (Losses) £'000	Balance 31.12.2022 £'000
Unrestricted Funds					
Institution, Reserve Fund	23,648	17,780	(18,300)	(520)	22,608
Restricted Funds					
General Trust (includes legacy)	–	159	(159)	–	–
James Clayton Trust	68	67	(54)	–	81
Trust for Education and Research	364	71	(70)	–	365
Sundry small trusts	270	22	(18)	–	274
	702	319	(301)	–	720
Endowment Funds					
General Trust	2,968	–	–	(423)	2,545
James Clayton Trust	1,636	–	–	(177)	1,459
Trust for Education and Research	2,430	–	–	(317)	2,113
Sundry small trusts	610	–	–	(95)	515
	7,644	–	–	(1,012)	6,632
Total funds	31,994	18,099	(18,601)	(1,532)	29,960

23. Trust and Prize Fund Individual Accounts

General Trust
Benefactors comprise

James Bates
Horace Bedford
Charles Sharpe Beecher
William Bennett
Joseph Bramah
T H Carr
Thomas Andrew Common
Gresham Cooke
Winifred Smart Crabtree
George Curry
Bernard Incledon Day
Bryan Donkin
H V Disney
A H Duncan
Christian Peter Dunkel
John Edward Elliott
James Moir Forbes
Sir Hugh Ford
Winifred Foreman
Andrew Fraser
Thomas Lowe Gray
Donald Julius Groen
Thomas Bernard Hall
Herbert Edward Hancocke
Francis Hewlett
Lord Hinton of Bankside
Shirley Nelson Howe
Robert Herbert Innes
Kenneth Harris James
Anne Labrow
Olive Mary Main
Ernest William Moss
The Reactionaries
Charles Howard Readman
William Sweet Smith
A M Strickland
Clifford S Steadman
Thomas Stephen
Thatcher Bros.
Fredrick Barnes Waldron
Edwin Walker
Neil Watson
Viscount Weir
Frau May Borner Wylie

Trust for Education and Research
Benefactors and Predecessor Trusts comprise

John F Alcock Memorial Prize
Carl Louis Breedon
Henry Stacey Cattermole
Engineering Applied to Agriculture
Filtration
M M Flatman
Thomas Hawksley
Hele-Shaw National Certificate
Mrs P M Lowery
Manville Bequest Scholarship
E May
Ludwig Mond
F G Moore
Arthur Morley Higher National Diploma
John Player Lectureship
Raymond Coleman Prescott Scholarship William
Alexander Agnew Meritorious
Alastair Graham-Bryce
Frank Radcliffe
Alfred Rosling Bennett Premium
Clarence Noel Goodall
Charles S Lake
Rover Midlander
T A Stewart Dyer
Fredrick Harvey Trevithick
Sir Seymour Briscoe Tritton
Stanley Herbert Whitelegg
Safety Award in Mech. Engineering Starley Premium
George Stephenson Research
Herbert Ackroyd Stuart
The Students Aid
Water Arbitration
Willans Premium
L Marson
Margaret Winifred Astridge

The above trust funds are under the trusteeship of the Institution of Mechanical Engineers. Because of the limited space available, the information presented is, of necessity, brief. If you would like more details, please contact the Secretary to the Trustee Board Awards Committee.

24. Related Party Transactions

	2022 £'000	2021 £'000
Amounts due from Professional Engineering Projects Limited	1,050	726
Amounts due from IMechE Services Limited	17	18
Amounts due from Sonaspection International Limited	68	40
Amounts due from IMechE Fife NDT Limited	442	113
Loan due from Professional Engineering Projects Limited	4,279	5,121
All amounts are considered to be repayable on demand during the year except the loan which has a 53 week notice period of repayment		
Transactions with Professional Engineering Projects Limited	(4)	(19)
Professional Engineering Projects Limited		
Amounts due to Siantonas Ball Limited	(223)	(233)
Amounts due to IMechE Fife NDT Limited	(218)	(731)
Amounts due to Sonaspection International Limited	(158)	(14)
Transactions with IMechE Fife NTD Limited	106	31
Transactions with Sonaspection International Limited	(90)	(38)

Dr Clive Hickman, appointed as Trustee on 25 May 2022, is the Chief Executive at The Manufacturing Technology Centre Limited and its subsidiary, MTC Operations Limited. Heather Clarke, appointed as Trustee in May 2017, is a non-executive director at The Manufacturing Technology Centre Limited. In 2022, the Institution and its subsidiaries paid the MTC Group £26,157 (2021: £7,998) for event attendance, and catering and venue hire services. The Institution and its subsidiaries charged the MTC Group £17,992 (2021: £3,068) for event attendance, accreditation fees, and standard samples. MTC Group also sponsors the apprentice challenge by providing the facility free of charge for the event. At 31 December 2022, the balance receivable was nil (2021: £3,068) and the balance payable was nil (2021: nil).

Helena Rivers, originally elected as a Trustee on 24 May 2017, is also a director at AECOM. The Institution has charged a fee to AECOM for MPDS accreditation visits for a number of years. Fees charged were £nil for the year ended 31 December 2022 (2021: £500). There was no balance outstanding as at 31 December 2022 (31 December 2022: nil).

Neil Kelly is a director of Sonaspection International Limited appointed on 29th June 2020, whose close related family member is the owner of Kelly Contracting. Kelly Contracting provide electrical material and labour and have been providing a service for a number of years. Kelly Contracting charged £3,222 during the year to 31 December 2022 (2021: £4,781). Kelly Contracting has a balance payable as at 31 December 2022 of £0 (2021: nil).

25. Reconciliation of Net Income to Net Cashflow from Operating Activities

	2022 £'000	2021 £'000
Net (expenditure)/Income for the reporting period (as per the statement of financial activities):	(1,395)	2,515
Adjustments for:		
(Gain)/Loss on disposal of tangible assets	(4)	(1)
Amortisation	948	863
Impairment loss	–	247
Depreciation charges	710	762
Dividends and interest	(701)	(637)
(Increase)/decrease in debtors	(218)	(619)
Increase/(decrease) in creditors	172	676
(Increase)/decrease in stocks	55	(118)
(Gain)/losses on investments	1,582	(1,776)
Net cash provided by operating activities before pension scheme costs	1,149	1,912
(Increase)/decrease in Defined benefit pension scheme costs	(301)	(107)
Net cash provided by operating activities	848	1,805

26. Financial Instruments

	Group		Institution	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Financial assets measured at amortised cost	10,224	9,760	7,208	8,264
Financial liabilities measured at amortised cost	2,707	2,802	1,622	1,951
Financial assets measured at fair value	21,237	19,875	14,448	12,735

27. Consolidated Statement of Financial Activities 2021

Income and Endowments from:	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2021 Total £'000	Restated 2020 Total £'000
Donations and legacies	113	–	–	113	72
Charitable activities					
Membership subscriptions	12,436	–	–	12,436	12,468
Groups, Divisions and Events	1,117	–	–	1,117	578
Professional development and Membership	174	–	–	174	205
Information and Library services	3	–	–	3	4
Apprentice End Point Assessment	1,172	–	–	1,172	411
Other trading activities					
Venue hire, Training, Exam Services, Consultancy, Flawed Samples	6,353	–	–	6,353	6,461
Investments					
Interest and Dividends	125	512	–	637	634
Other					
Other income	91	–	–	91	399
Rents Receivable	506	–	–	506	697
Total	22,090	512	–	22,602	21,929
Expenditure on:					
Raising funds					
Non-charitable trading activities	7,015	–	–	7,015	7,665
Investment management costs	–	10	–	10	9
Charitable activities					
Groups, Divisions and Events	4,369	–	–	4,369	3,856
Marketing	1,686	–	–	1,686	1,769
Business Development	2,395	–	–	2,395	2,229
Apprentice End Point Assessment	1,162	–	–	1,162	455
Professional development	763	–	–	763	826
Information and Library Services	801	–	–	801	787
Membership Subscriptions	2,527	–	–	2,527	2,345
Tenants and Public Facilities - -	400	–	–	400	506
Prizes, Awards and Scholarships	84	651	–	735	556
Total	21,202	661	–	21,863	21,003
Net income/(expenditure) before gains/(losses) on investment assets	888	(149)	–	739	926
Net Gains /(losses) on investment assets	399	252	1,125	1,776	(742)
Net income/(expenditure) before amortisation of goodwill	1,287	103	1,125	2,515	184
Net (expenditure)/Income	1,287	103	1,125	2,515	184
Other recognised gains / (losses)					
Actuarial gains/(losses) on defined benefit pension scheme	9,425	–	–	9,425	(7,081)
Net movement in funds	10,712	103	1,125	11,940	(6,897)
Reconciliation of funds					
Total funds brought forward, as previously stated	9,004	3,647	10,717	23,368	30,243
Opening balance adjustment	–	(158)	–	(158)	(136)
Total funds brought forward, as restated	9,004	3,489	10,717	23,210	30,107
Total funds carried forward	19,716	3,592	11,842	35,150	23,210

“”
Staff enjoyed the first away day since the pandemic which was a chance to meet colleagues, share ideas and have fun.



ADMINISTRATIVE DETAILS

Name

The Institution of Mechanical Engineers

Address of principal office

1 Birdcage Walk, Westminster, London, SW1H 9JJ

Charity registration numbers

Charity Commission of England & Wales: The Institution and subsidiary prize and award funds are registered under 206882. The Whitworth Scholarship Funds are registered under 313756.

Office of Scottish Charity Regulator: The Institution is registered under SCO51227.

Governing document and constitution

The Institution was founded in 1847 and was incorporated by Royal Charter in 1930. Digital copies of the Royal Charter and By-Laws are available from the Corporate Governance team via governance@imeche.org.

Trustees

The Trustee Board comprises the President, two Deputy Presidents, three Vice-Presidents, an International Vice-President and five or more ordinary members. All Trustees are elected by the Corporate and Associate Membership of the Institution.

Trustees are required to retire after a maximum of 3 years in post.

Trustees met 8 times for Board Meetings supported by the Executive team during 2022 (2021:9). In addition to the 8 main Trustee Board meetings, the Trustees also met on 7 other separate occasions in 2022 to discuss specific issues.

	Number of meetings attended	Number of meetings in session
Professor Emeritus G Britton (appointed 23 June 2022, due to retire 24 May 2023)	4	4
C Chong (appointed 09 September 2022, due to retire 25 May 2023)	2	2
H A Clarke (due to retire 25 May 2023)	5	8
B M Eickhoff (due to retire 22 May 2024)	8	8
P Flinn (retired 25 May 2022)	3	3
M P J Garside (retired 25 May 2022)	3	3
G S Hartill (due to retire 22 May 2024)	7	8
Dr C Hickman OBE (due to retire 21 May 2025)	4	5
R G Hodgkinson (retired 25 May 2022)	3	3
Dr R C B Judge (due to retire 21 May 2025)	6	8
Professor D Nowell (due to retire 21 May 2025)	6	8
R M O'Brien (due to retire 25 May 2023)	5	8
P J Peel (due to retire 25 May 2023)	8	8
V Raman (due to retire 21 May 2025)	8	8
H C Rivers (due to retire 25 May 2023)	7	8

Elected' and 'retired' relate to the normal transition of Trustees at the beginning and end of their periods of elected office. 'Appointed' and 'resigned' relate to other changes outside this normal process.

Chief Executive:

Dr Alice Bunn

Key Management Personnel:

This includes the Chief Executive and four Directors:

Human Resources Director	Bims Alalade
Finance and Commercial Director	Sean Fox
Membership Operations Director	Joanna Horton
Engineering Policy and Impact Director	James Partington

Professional advisers

Auditor:

BDO LLP, Baker Street, London W1U 7EU

Bankers:

National Westminster Bank PLC
PO Box 113, Cavell House, 2A Charing Cross Road London WC2H 0PD

CAF Bank Limited
25 Kings Hill Avenue, Kings Hill, West Malling, Kent ME19 4JQ

Investment managers:

Schroder & Co Limited
12 Moorgate, London EC2R 6DA

Blackrock Investment Management (UK) Limited
33 King William Street, London EC4R 9AS

CCLA Investment Management Limited
80 Cheapside, London EC2V 6DZ

Solicitors:

Mills & Reeve LLP
Botanic House, 1 Hills Road, Cambridge CB2 1PH

Bristows
100 Victoria Embankment London EC4Y 0DH

Pension advisers:

Barnett Waddingham LLP
Decimal Place, Chiltern Avenue, Amersham HP6 5FG

Lane, Clark & Peacock LLP
95 Wigmore Street, London W1U 1DQ



“”

Sir Patrick Vallance, the Government’s Chief Scientific Adviser, launched our 175 anniversary celebrations by giving a lecture at Birdcage Walk.

IMechE 175 1847–2022

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Institution of Mechanical Engineers

1 Birdcage Walk
Westminster
London SW1H 9JJ

+44 (0)20 7973 1293

media@imeche.org
imeche.org

THE INSTITUTION OF MECHANICAL ENGINEERS

England & Wales - Charity number 206882

Accounts

TRUSTEE BOARD'S REPORT AND ANNUAL ACCOUNTS.

Institution of MECHANICAL ENGINEERS

Year Ended 31 December 2021



Improving the world through engineering

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The Institution of Mechanical Engineers
Incorporated by Royal Charter 1930
Registered Charity in England & Wales No: 206882
Office of the Scottish Charity Regulator No: SCO51227



“”

Being President of the Institution of Mechanical Engineers has been an unforgettable experience.

PRESIDENT'S STATEMENT

In the latter part of 2021, we started our celebrations to mark the 175 years of our Institution's existence. In the autumn of 1846, a small group of prominent engineers of the day called a series of meetings where they proposed the arrangements for a new society to be called 'The Institution of Mechanical Engineers'. They wanted to help engineers to learn by meeting and corresponding and, through their efforts, 'provide an impulse to inventions useful to the world'.

And that's what we are still doing! Our strategy work in 2021 has confirmed our aim of being a world-leading, global and inclusive engineering membership organisation. It is from this base that we can collectively aspire to 'improve the world through engineering'.

On a more practical level, the continuing COVID-19 epidemic didn't make this easy in 2021. However, we managed a full programme of activities, sometimes delivered in an unconventional manner. As always when under pressure, new ways of doing things have emerged, mainly online, which will help us in the future as we grow our presence across the world.

In the middle of 2021, Dr. Colin Brown retired from the CEO position having worked for 3 years in this demanding role in challenging circumstances. We are all grateful for his reassuring presence both over this period and in earlier years. Our new CEO, Dr Alice Bunn, has made an energetic start and I have enjoyed working with her as we take our Institution forward. In particular, we have through her guidance started to improve our impact with government and policymakers.

Another part of our history, the Birdcage Walk building, has continued to occupy our attention. By the turn of the year, we had completed a substantial consultation about future options and in early 2022 we launched an indicative poll with three fundamentally different options. This poll, in which over 10,000 members took part, found that the option of keeping One Birdcage Walk as our headquarters building had most support from members. Confirmation of this approach requires approval in a Special Meeting after which, all being well, we can proceed with the much-needed building programme.

Terry Spall was our President for the first five months of 2021, and I would particularly like to thank him for his emphasis on concluding the member-led governance changes started several years ago. Those changes are now bearing fruit: we have a much more active Nominations Committee under Isobel Pollock-Hulf OBE that is casting the net widely in seeking out new volunteers and improving the diversity of our active-member community. We have launched our Strategy Committee, led by Giles Hartill, and that is giving greater clarity to our long-term thinking; and our Technical Strategy Board overseen by Paul Jones is setting out the direction for our learned society work at a time when technological opportunities could not be greater.

Finally, I wish Phil Peel well as he takes up the 2022/23 presidency. Phil, as Chair of the Finance Board, has overseen our finances for the last four years. During this period, the financial position has stabilised and improved considerably. I'm confident that he will rise to the wider leadership role of President.

Thank you to everyone - members and our excellent staff - who have supported me during the last twelve months; being President of the Institution of Mechanical Engineers has been an unforgettable experience.

Peter Flinn
136th President of the Institution of Mechanical Engineers



“”

Only by placing Inclusion, Impact, Innovation and Integrity at the core of everything we do will we be successful.

CHIEF EXECUTIVE'S STATEMENT

In 2021 we have kick-started our efforts to improve the world through engineering, focusing on some key policy priorities. Ahead of COP26 we hosted an innovative event on climate and sustainability, opened by Chris Skidmore MP, and focused on the energy transition, future transport and the built environment. It was wonderful to see all five of our Challenges return in 2021, a mix of physical and hybrid formats enabled us to maximise participation and inclusivity. Just before the close of 2021 we demonstrated great innovation and integrity working with the NHS to develop the standard to which UV air sanitisers in hospitals should adhere. As an Institution we continue to evolve and innovate with the recent successful recognition by Ofqual as an End Point Assessment Organisation demonstrating the Institution's ongoing commitment to supporting and recognising the contribution and value of apprenticeships to industry.

We've done this by working as one team, across staff and members. Supporting and developing our members is the essence of the Institution, while during 2021 we made some changes internally to improve support, we look forward in 2022 to developing our offer and ensuring that the Institution remains relevant providing the best opportunities for developing, upskilling and reskilling, our engineers and technicians worldwide for the challenges of the next 175 years! Our focus will be directed towards how we can best support employers as well as enhancing services that provide career long professional development to strengthen our engineering community.

We've been successful because we have recognised the importance of a shared set of values to success, continuing this great initiative of my predecessor, Dr Colin Brown, working across the whole Institution. A very visible demonstration of this has been the rollout of our diversity and inclusion learning programme, where staff and members have come together for some frank and open conversations, sharing experiences with a view to co-creating a solid foundation for closer working in the future. Together we have committed this effort because shared values are not some 'fluffy nice-to-have', they are critical to the successful delivery of the vision of the Institution. Only by placing Inclusion, Impact, Innovation and Integrity at the core of everything we do will we be successful.

Of course, 2021 was another challenging COVID year, and I would especially like to thank staff who continued through these difficult times with great integrity to increase our overall financial resilience. That same spirit came through in our achievement of the Gold Standard in Investors In People - a thoroughly deserved testament to the hard work of managers and staff across the Institution over the last few years. As one team we are committed to continuing to make the Institution a great place to work, and an Institution to be proud of.

We are looking forwards to furthering our influence and impact of sound engineering advice to societal policies across the world, following the keynote speech from Sir Patrick Vallance on our 175th anniversary. The systems of systems approach that will be necessary to improve our world through engineering will require us to draw on all our values.

I'd like to conclude by thanking all of the staff, Trustee Board and Council – and Directors, Peter Flinn and Martin Robinson in particular - for their support to me in starting this new role. I'd also like to thank past president Terry Spall and past CEO Colin Brown, for handing on the ship in such good shape – onwards for the next 175 years!

Dr Alice Bunn
CEng FRAeS FIMechE

COVID-19 AND UKRAINE STATEMENTS

COVID-19

Much of the period covered by this Report has continued to be significantly affected by the coronavirus pandemic (COVID-19). The lockdown in the early part of 2021 had a longer and more significant impact on our activities than we had anticipated when setting our 2021 plans. However, the new virtual procedures implemented during 2020 allowed us to maintain a good level of activity.

After an opening up in the summer, we were able to return to Formula Student at Silverstone as part of a larger hybrid event to allow participation by those teams, (particularly international ones), not able to attend in person.

Our commercial activities rebounded quite strongly in the final four months of the year and, after a small impact from Omicron, now look set for a progressive return to pre-COVID-19 normality. Institution activities were more strongly affected in December and early 2022, with a reversion to virtual activities, but here too we are now seeing a return to physical events with the removal of all government restrictions.

UKRAINE

In responding to the terrible situation in Ukraine the Institution is co-ordinating with other bodies across the sector to ensure a consistent response.

So far we have:

- signposted towards engineering council guidance for Ukrainian engineers entering the UK;
- directly contacted all our members in Ukraine and Russia to offer support, including through our support network;
- paused our lapsing campaign for members based in Russia or Ukraine;
- reviewed our investment portfolio to confirm there is negligible investment through Russia;
- reviewed our knowledge transfer activities in view of the sanctions currently in place;
- confirmed that no pension payments will be blocked due to wider financial sanctions in place.

HEADLINES

FINANCE

- Overall free reserves grew during the year, with a significant surplus in the Charity
- We saw greatly reduced losses in our trading subsidiaries
- Capital expenditure was reduced compared to budget

STRATEGIC GOALS

- We have 67,037 members in paying grades vs target of 66,224
- We saw 2,829 new professionally registered engineers
- All five Challenges took place in physical, virtual or hybrid form
- Four new international student chapters set up
- We had over 200 courses in our training portfolio
- Our Library saw nearly 500,000 online downloads

CULTURE

- We held online workshops with staff and members to explore diversity and inclusion



Free reserves grew during the year with a significant surplus in the Charity.

We have

67,037

members in paying grades vs target of 66,224.

2,829

new professionally registered engineers.



Online workshops held with staff and members to explore diversity and inclusion.

OUR YEAR IN NUMBERS



LIBRARY

468,536 online library downloads

7 webinars with **1495** registrations

INTERNATIONAL REGIONS

4 new Student Chapters set up

IMPLEMENTATION GROUP

80 recommendations implemented

COMMUNICATONS

175 anniversary celebrations launched

IMechE 175 1847–2022

MEMBERSHIP AND BUSINESS DEVELOPMENT

25 University Accreditation visits (23 virtual; 2 physical)

52 Company Accreditation visits

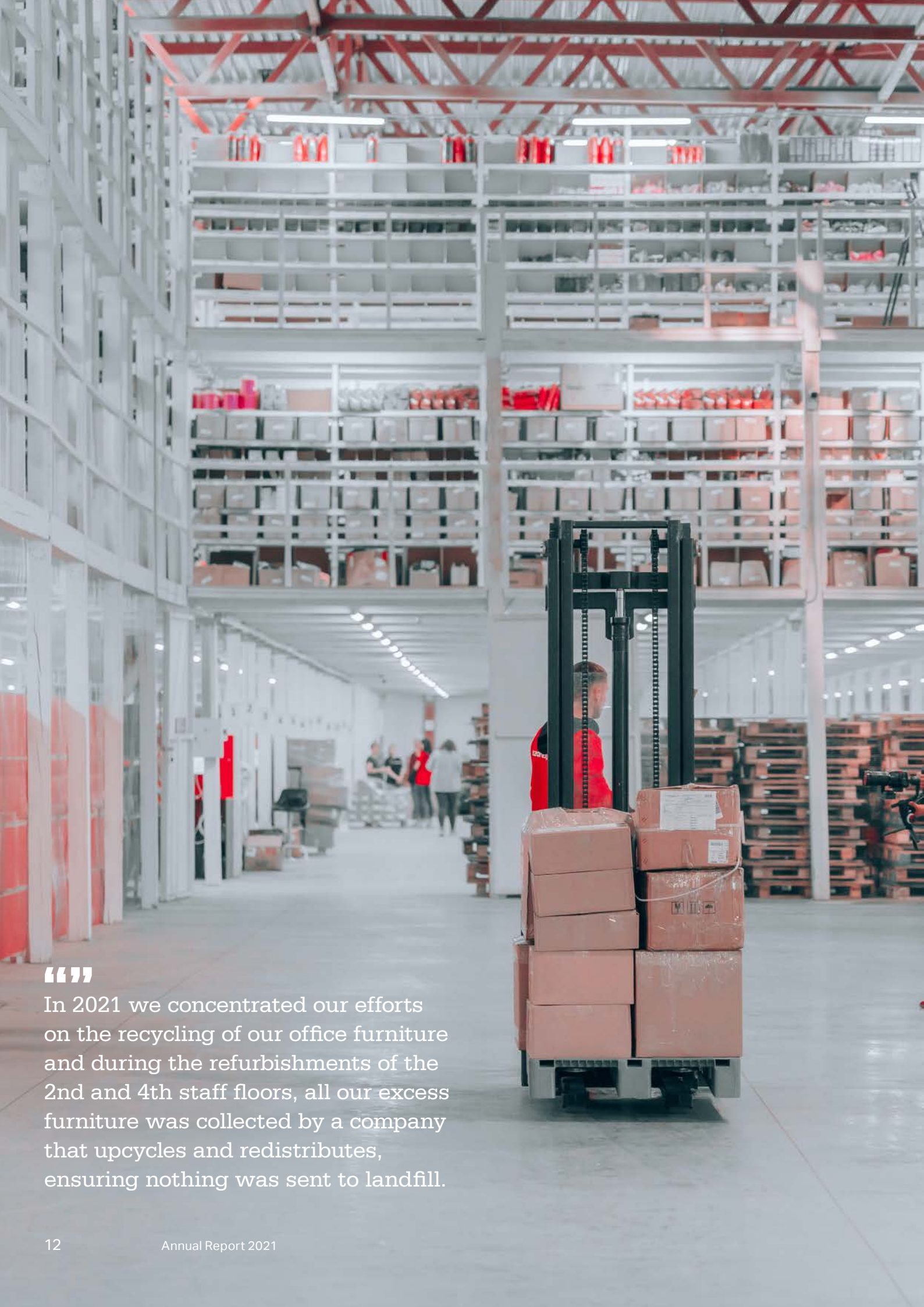
2,090 Professional Registration Interviews conducted

2,829 New professionally registered engineers

3,767 Attendees at open virtual professional registration events

PRIZES AND AWARDS

Over **60** main awards made



“”

In 2021 we concentrated our efforts on the recycling of our office furniture and during the refurbishments of the 2nd and 4th staff floors, all our excess furniture was collected by a company that upcycles and redistributes, ensuring nothing was sent to landfill.

ENVIRONMENTAL SUSTAINABILITY AND SOCIAL RESPONSIBILITY REPORT

As an organisation, the Institution is committed to reducing its environmental impact and enhancing its social responsibility as a means of achieving greater sustainability.

We continue to seek to reduce the volume of waste being sent to landfill and in 2020 we were able to award our daily refuse contract to a contractor with a zero to landfill policy. In 2021 we concentrated our efforts on the recycling of our office furniture and during the refurbishments of the 2nd and 4th staff floors, all our excess furniture was collected by a company that upcycles and redistributes, ensuring nothing was sent to landfill.

Following another three-month lockdown at the beginning of the year and continued low occupancy of the building throughout the year, our electricity consumption in 2021 fell to 386 MWh from 432 MWh in 2020 and our gas to 436 MWh in 2021 from 482 MWh.

Despite the disruption caused by COVID-19 restrictions, we have invested in technology to equip most of our meeting rooms with enhanced video conferencing facilities and carried out repairs to essential plant equipment, replacing the most worn-out pumps with new, energy efficient units.

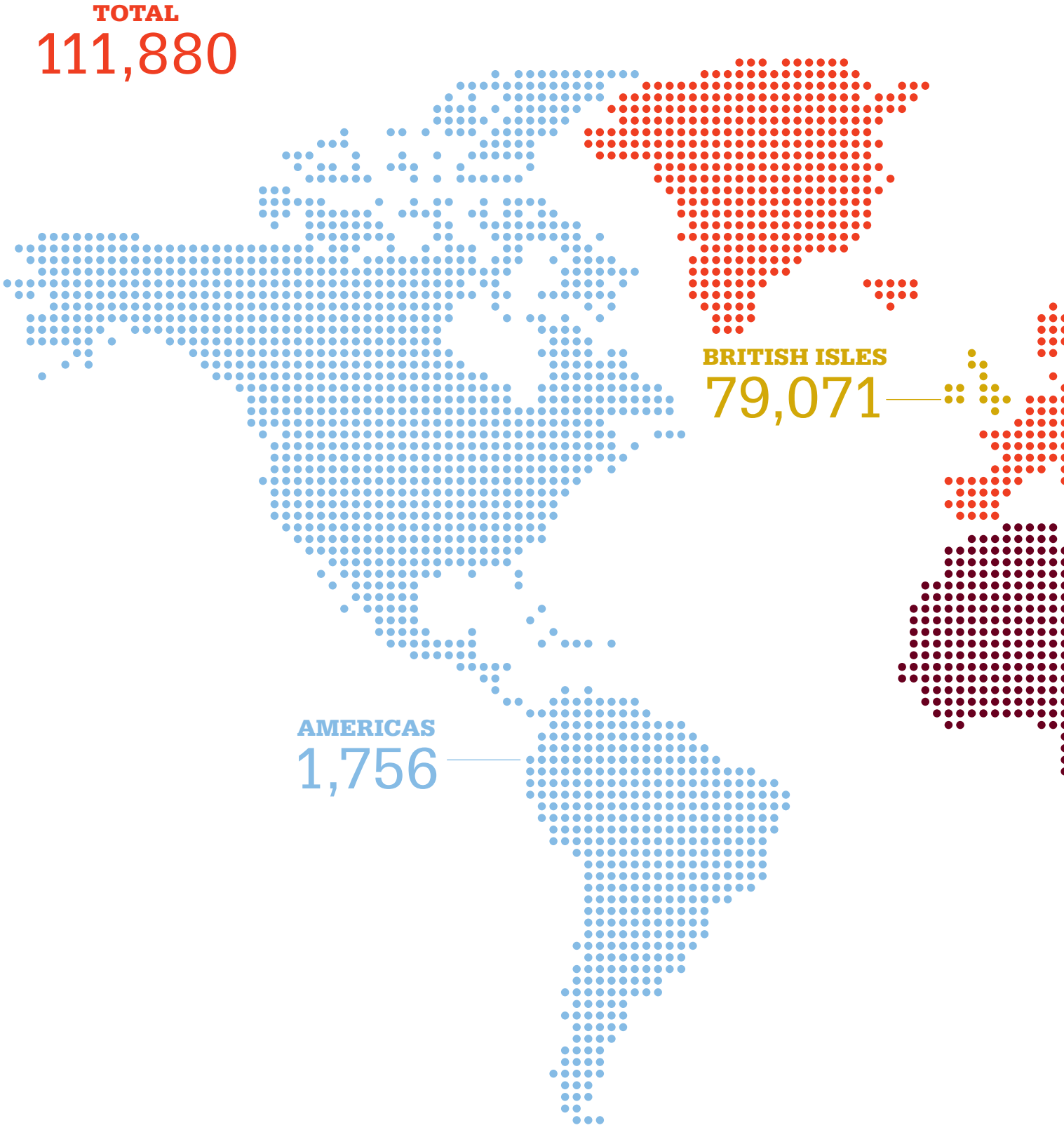
As in 2020, our corporate social responsibility activities were severely limited by COVID-19 but our Cheer team led by Facilities Manager, Jonny Bilsby were able to build on last year's success and continue with the virtual "Giving Tree" raising £483.00 for the Kidsout charity.

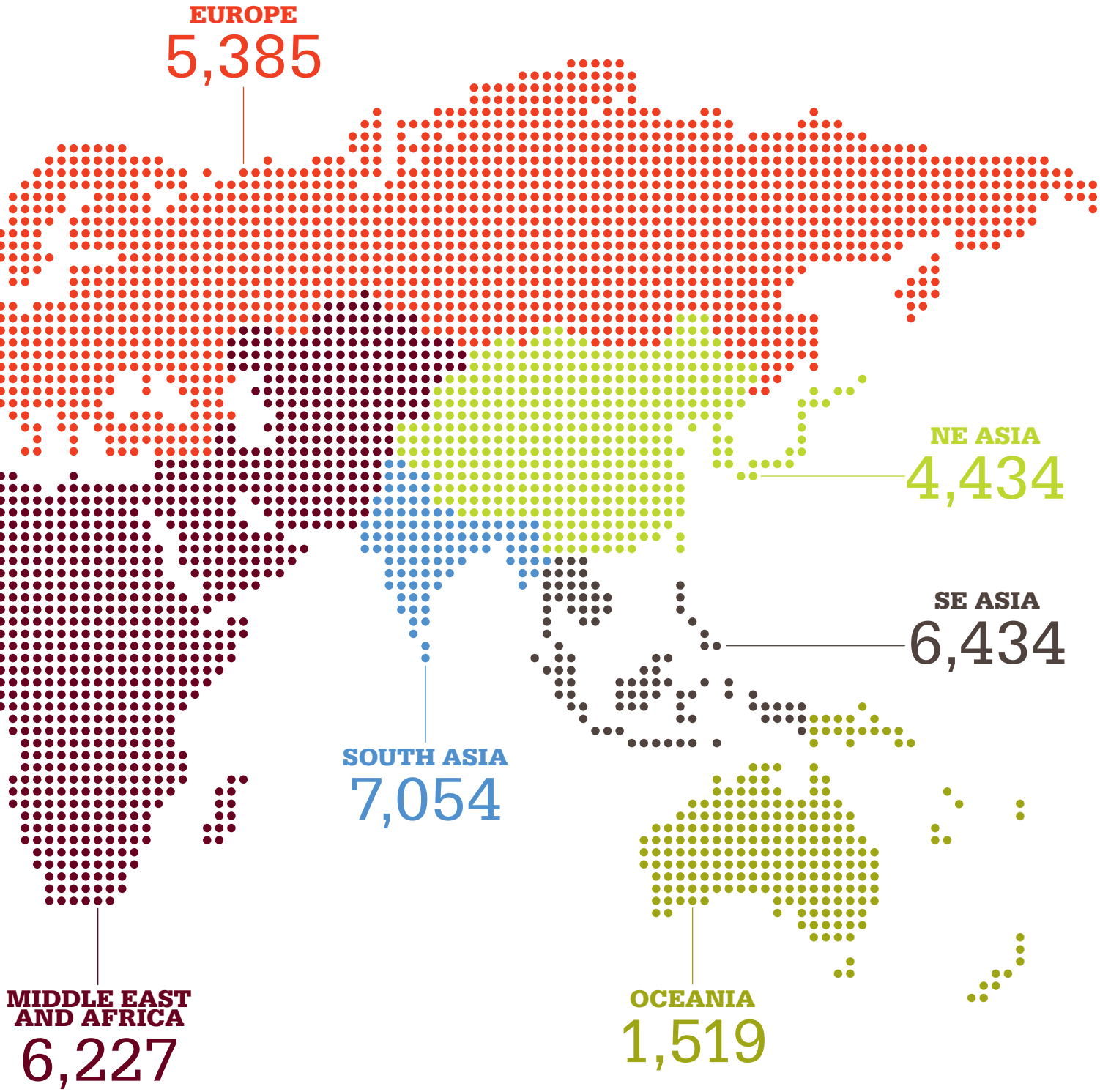


In 2021 we concentrated on recycling of our unwanted office furniture, ensuring nothing went to landfill.

GLOBAL MEMBERSHIP

Figure 1: Global membership by Institution Membership Region




EUROPE
5,385
NE ASIA
4,434
SE ASIA
6,434
SOUTH ASIA
7,054
MIDDLE EAST AND AFRICA
6,227
OCEANIA
1,519



A package of support for committees to run virtual events in 2021 has been designed and shared with the member networks, including training and a user guide for committees wishing to run their own events via Teams.

STRATEGIC OBJECTIVES

Objective achieved Objective not achieved

Given the continuing difficulties imposed by the COVID-19 restrictions, we have had to work hard to achieve our objectives and are pleased to have improved slightly to ten out of the eighteen goals complete, up from nine in 2020.

CULTURE

OBJECTIVE

CG 1 Output: Continue the programme in conjunction with the D&I committee to embed values in Trustees, employees and all members.

WHAT WE SAID WE'D DO

KPI: Publish a handbook of inclusive and respectful behaviours for staff and volunteers, alongside the launch of a new D&I strategy. Report on tangible evidence of change by year-end.

The first phase of the D&I programme, including the executive team, trustees and other senior staff and members, is almost complete and the second phase participants have been selected. The handbook has now been moved to a second stage workstream under values and behaviours, and is now expected to be delivered in the first half of 2022.

OBJECTIVE

CG 2 Output: Improve on the 2020 baseline for environmental reporting.

WHAT WE SAID WE'D DO

KPI: The Real Estate Strategy Group plans for Birdcage Walk, to show environmental benefit above legal minimum requirement.

Until a member vote on a specific proposal for the future of OBW has been held, this KPI cannot be progressed further.



Embedding our values is key to ensuring members and staff feel they belong to the Institution.

FOUNDATIONS

Cost effective facilities, systems & processes (FSP)

OBJECTIVE

FSP 1 Output: : Improved reporting based on new finance and HR systems.

WHAT WE SAID WE'D DO

KPI: Clearer cost allocation across our Foundations and High-Level Goals, that show charity efficiency and the impact of COVID across all sectors.

A report with costs allocated across all goals was developed and presented to the Finance Board. This will be further refined in future years.

OBJECTIVE

FSP 2 Output: Digital offerings to improve member experience and hence retention and growth.

WHAT WE SAID WE'D DO

KPI: Use an IT Planning Group, to create a digital improvement programme, to follow on from the end of the digital modernisation investment. Enable fully remote working for all and be class leading in hybrid delivery.

The IT Planning Group reported to the Strategy Committee with a number of recommendations which are being progressed.

Although none of the strands of the Digital Member Engagement Project were delivered as planned in 2021 due to issues with IT development resource, significant progress was made on the Committee Management Hub which is due to launch in June 2022.



We delivered 853 virtual classrooms in 2021 and worked with over 600 engineering companies.

Best practice governance and leadership (G&L)

OBJECTIVE

G&L 1 Output: Conclude the implementation of the Finance, Governance and Code of Conduct Reviews.

WHAT WE SAID WE'D DO

KPI: All recommendations to be either delivered, or to have clearly defined deferral plans, by the end of May.

The Implementation Group's Close Out Report in June 2021 recorded 80 of the 96 recommendations arising from the three corporate reviews (Governance; Finance; Code of Conduct / Disciplinary) had been implemented. The Close Out Report was published to the membership and can be viewed on the IG webpage. The 16 remaining recommendations were allocated to the executive to implement the agreed solutions, and their implementation status will be reported to the Trustee Board during 2022.

OBJECTIVE

G&L 2 Output: Ensure key audits are carried out across the Institution.

WHAT WE SAID WE'D DO

KPI: One third of all internal audits to be complete by year-end, as part of a three-year rolling programme.

An audit proposal has been prepared and a number of audits conducted, but less than the one third target.



Our Implementation Group reported that 80 of the 96 recommendations arising from the three corporate reviews have been implemented.

Financial resilience (FR)

OBJECTIVE

FR 1 Output: Manage capital expenditure within overall cashflow, and grow free reserves to a target defined by a policy based on our risk register.

WHAT WE SAID WE'D DO

KPI: Maintain free reserves at 2020 year-end (ahead of any asset disposals and market value movements) and reflect on the future impact of the new reserves policy.

Overall free reserves have grown during the year with a significant surplus in the charity, greatly reduced losses in our trading subsidiaries, reduced capital expenditure compared to budget, and investment gains.

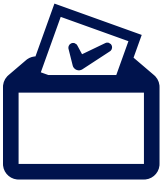
OBJECTIVE

FR 2 Output: Complete the property strategy review.

WHAT WE SAID WE'D DO

KPI: Publish a clear plan for all real estate, and start to implement the long-term plan for London HQ.

Options for the future of OBW have been published. Following an extensive programme of consultation, an indicative member poll was conducted early in 2022 and a proposal will be presented to a Special Meeting at a future date to be determined.



Over 10,000 members took part in the indicative poll we carried out to understand their views about the future of Birdcage Walk.

Skilled, engaged and motivated staff and volunteers (S&V)

OBJECTIVE

S&V 1 Output: Deliver improved induction, training, & development for staff and volunteers.

WHAT WE SAID WE'D DO

KPI: Collect data from, and report on, member satisfaction for all Operating and Governance Boards.

Given the deferral of the volunteer handbook and training projects into 2022, it was agreed not to undertake a volunteer satisfaction survey during 2021. A new staff role of Volunteer Development and Training Manager was appointed during the year to enhance the support to the member networks.

OBJECTIVE

S&V 2 Output: Project Respect influencing organisational change.

WHAT WE SAID WE'D DO

KPI: All employee reviews to recognise and track values and behaviours equally with other goals and objectives. The CEO to lead by explicit example.

The behaviours and definitions outlined in the new one page Code of Conduct ('Act with care and competence', 'Act with integrity in a reliable and trustworthy manner', Engage responsibly with the environment', and 'Contribute positively to the culture and public perception of the profession and the Institution') were included in the 20 value focus groups.

Our values have evolved to focus on "four Is" - Integrity, Innovation, Impact and Inclusion.

“”

All five Challenges took place in 2021, with a combination of physical, virtual and hybrid elements.



STRATEGIC GOALS

Objective achieved Objective not achieved

Support and develop engineers (SDE)

OBJECTIVE

SDE 1 Output: Upgrade accredited IPD offering to drive employer engagement.

WHAT WE SAID WE'D DO

KPI: Launch and report on employer and member satisfaction with the new MPDS system.

It remains the intention to undertake a user survey on the new version of MPDS launched in 2021. Several fixes have already been made to the initial launch version, and further fixes and improvements are still be worked on and delivered. The survey will be undertaken at the point when there has been stability in the system for some time and will also align with the review planned in the 2022 Business plan.

OBJECTIVE

SDE 2 Output: Agree and publish a clear long term membership strategy.

WHAT WE SAID WE'D DO

KPI: Define and implement a cost-effective global programme, to improve both recruitment and member retention based on data profiling and differentiated offerings, as part of an explicit Institution-wide long-term strategy.

We continue to work to develop the long-term strategy in conjunction with the Strategy Committee and look to develop the plan to deliver this including through a range of research projects in early 2022 to assist with defining the scope.

In 2021, we had 67,037 members in the paying grades vs. target of 66,224.

Maintain professional standards (MPS)

OBJECTIVE

MPS 1 Output: Achieve net registration targets in line with resources applied.

WHAT WE SAID WE'D DO

KPI: Stabilise membership through focussed acquisition, retention and conversion, to maximise net paying members.

Member applications to end 2021 were lower overall, which was primarily due to the lower number of students and apprentices applying. The continuing difficulty engaging in person with students, and most particularly with apprentices, has been a contributing factor.

However, the numbers of applications to the Corporate and Associate grades were relatively stable on 5,301 vs. 5,471: CEng and Associate down, IEng up, EngTech stable.

Overall membership ended the year at 111,880 vs. a target of 113,282 with 67,037 members in the Corporate and Associate grades vs. a target of 66,224.

OBJECTIVE

MPS 2 Output: Improve the member offering for continuous professional development.

WHAT WE SAID WE'D DO

KPI: Publish and take action on a critique across all of our CPD offerings reflecting their popularity with members.

In view of the number of high priority communications being sent out to members at the end of 2021 and in the early part of 2022 including on governance matters and the proposed changes to One Birdcage Walk, it was agreed that an additional survey on CPD offerings would be deprioritised.

Delivered 853 virtual classrooms in 2021, whilst working with over 600 engineering companies. There are now over 200 courses on our training portfolio.

Encourage and disseminate knowledge and invention (EKI)

OBJECTIVE

EKI 1 Output: Expand engagement in the Challenges over 2020.

WHAT WE SAID WE'D DO

KPI: Create inclusive hybrid solutions to retain engagement post-COVID alongside the historical physical events.

All five Challenges took place in 2021, with a combination of physical, virtual and hybrid elements. No physical events were possible at all during the 2020 season, and the Design Challenge was cancelled entirely that year, so 2021 represented a significant expansion on the previous year.

OBJECTIVE

EKI 2 Output: Increased attendance (physical + virtual) across Training & Learned Society programme.

WHAT WE SAID WE'D DO

KPI: Retain member engagement at the high levels achieved in 2020 from virtual activity in preference to a return to a physical default.

Virtual events dominated in 2021, with 188 of the 194 events managed by the Events and Member Engagement team (not including the Challenges) taking place in a virtual-only format.

However, despite the significant increase in the number of events held during the year (cf. 168 in 2020), total attendance was lower than target. This is due for the most part to a significant drop-off in attendance at webinars compared with the peak during the first lockdown in 2020.

Library downloads decreased slightly by 2% in comparison to last year with a year-end total of 468,536. There was also significant growth in Virtual Archive engagement with 59,604 page views, a 38% increase against last year.



We saw 147 teams in total take part in our five Challenges last year.

“”

Our policy report on shipping decarbonisation was covered by the Times and Financial Times as well as widely in the trade press.



Secure the future of the profession (SFP)

OBJECTIVE

SFP 1 Output: Develop a long-term strategy for the future of the Institution, including input from Project Relevance and from market analysis.

WHAT WE SAID WE'D DO

KPI: Strategy Committee to own the 2022 planning cycle to engage member views and then communicate the output to all.

The Strategy Committee undertook a wide range of consultation with Board and Committee stakeholders during 2021 and a draft high level strategy was presented to the Trustee Board in September 2021. This process will continue into 2022 as further consultation and more detailed strategy development continues.

OBJECTIVE

SFP 2 Output: Deliver a high-profile policy and public relations programme in collaboration with key stakeholders where appropriate.

WHAT WE SAID WE'D DO

KPI: Ensure that the communication channels to members are proven to be making them aware of our public relations programme in education and engineering.

A successful programme of policy reports was developed and delivered plus high profile government support at a range of events, including Sir Patrick Vallance at the 175 anniversary launch.



Our policy report on shipping decarbonisation was covered by the Times and Financial Times as well as widely in the trade press.



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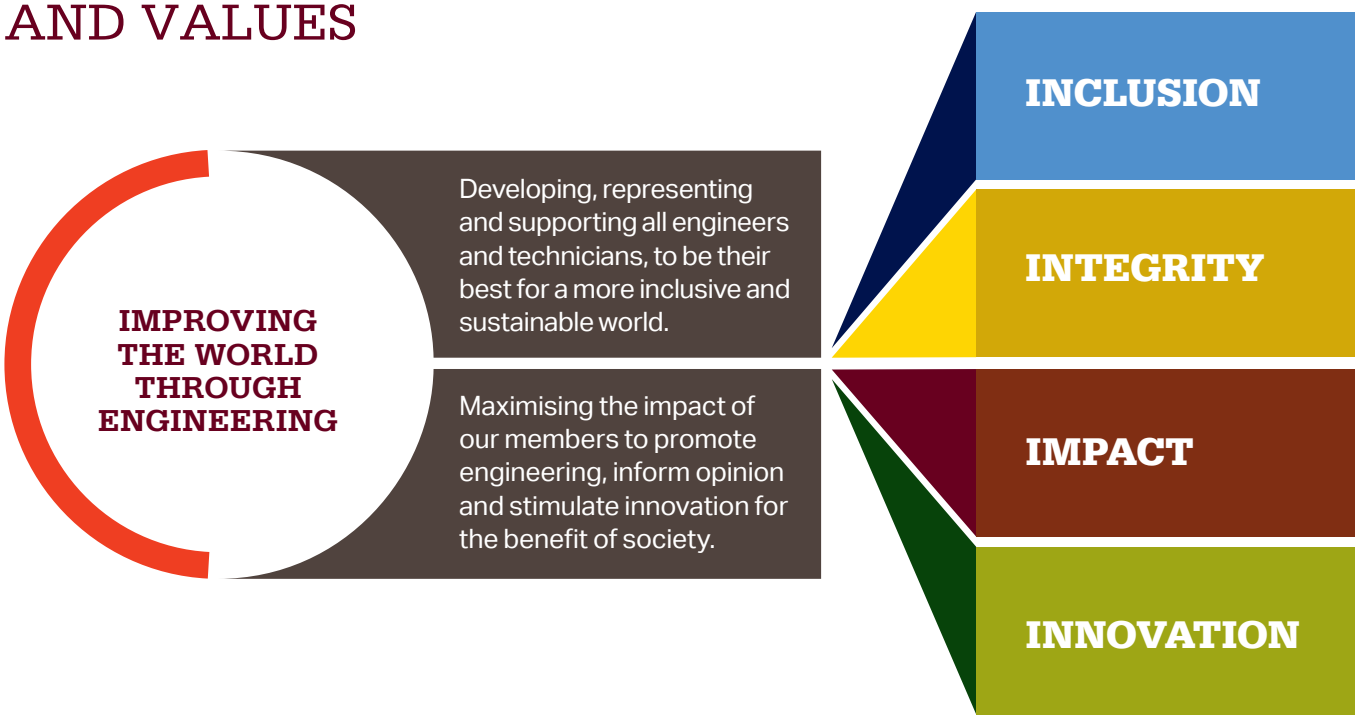
During 2021 the Strategy Committee produced a high level strategy which was reviewed and approved by the Trustee Board for onward consultation with the wider membership.

FUTURE PLANS

Strategy

During 2021 the Strategy Committee produced a high level strategy which was reviewed and approved by the Trustee Board for onward consultation with the wider membership. Work continues in 2022 both to consult on, and confirm, the high level strategy, and to develop a more detailed implementation plan to deliver the strategy.

MISSION, STRATEGIC GOALS AND VALUES



STRATEGIC GOALS

Membership

We will develop, represent and support all engineers and technicians, to be at their best for a more inclusive and sustainable world.
Our work will:

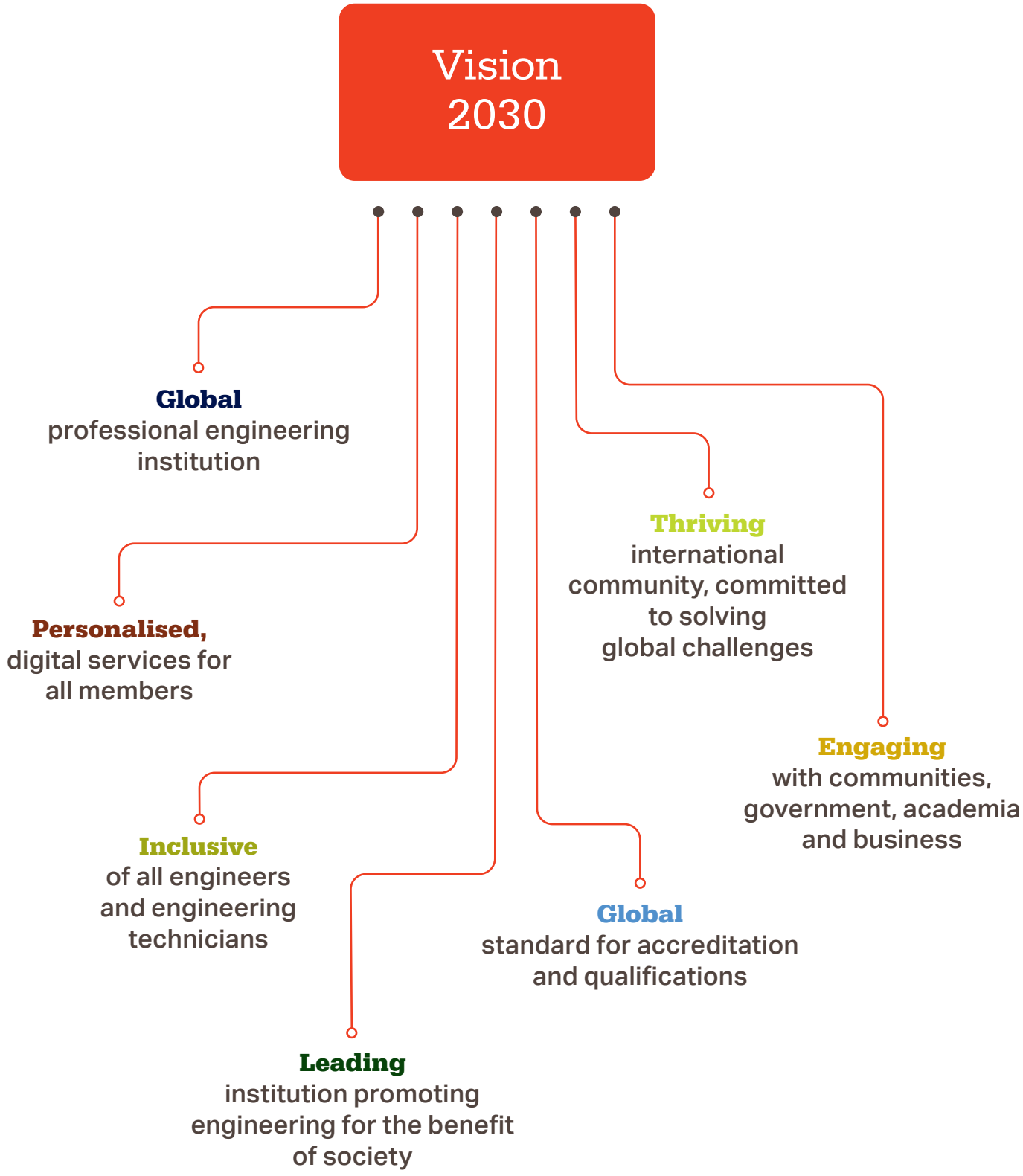
1. Be the global engineering standard for accreditation and qualifications
2. Build a thriving international community of engineers and technicians, engaging through a network of physical and online events
3. Deliver more relevant services, including personalised digital services to all members

Impact

We will maximise the impact of our members in promoting engineering, informing opinion and stimulating innovation for the benefit of society.
Our work will:

1. Build a network of international partnerships to promote engineering as a career
2. Shape the public and engineering debate on:
   a. Climate and Sustainability
   b. Future Transport
   c. Infectious Disease Control
   d. Education
3. Celebrate and encourage innovation and the role of engineering across academia, industry, business and communities

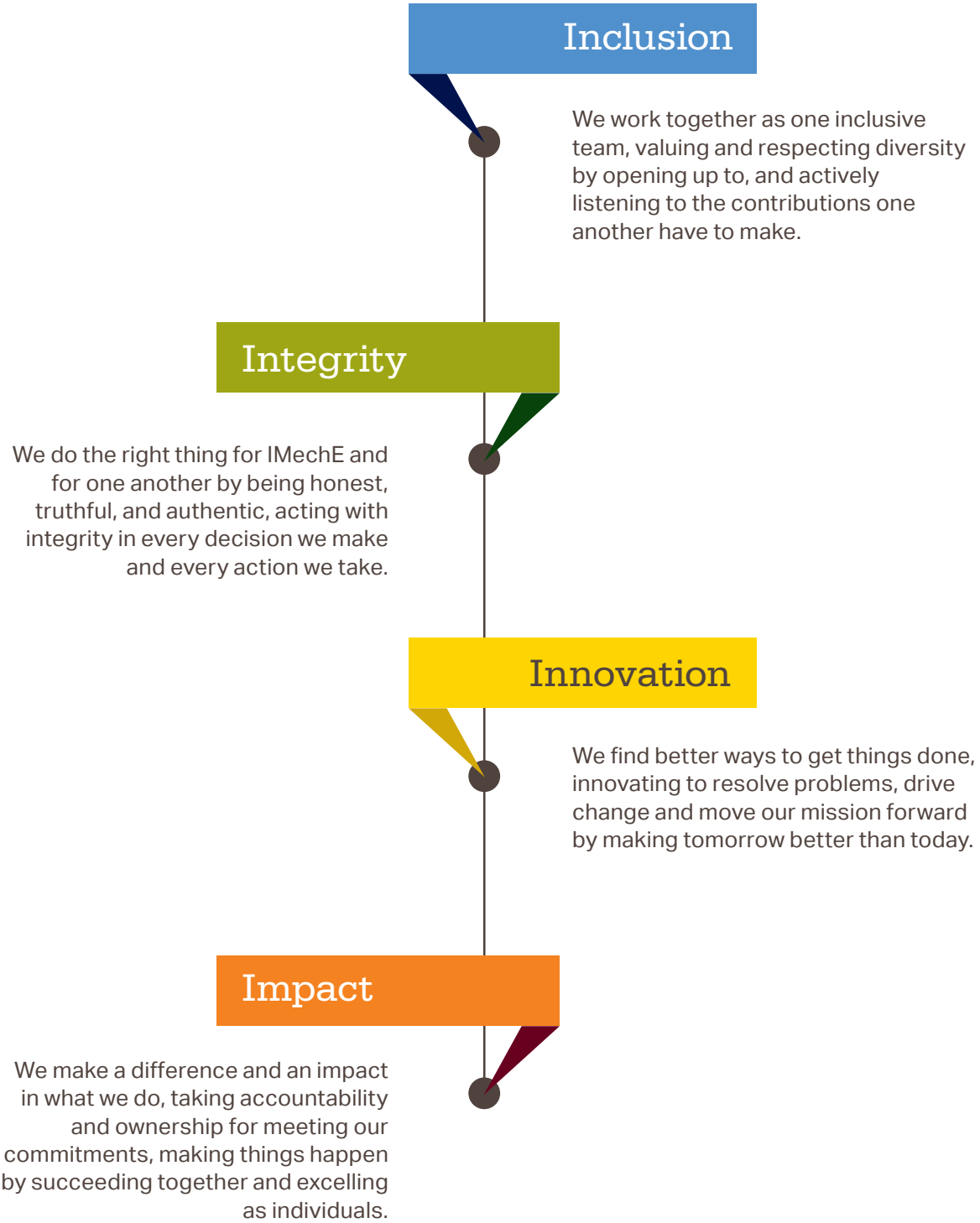
VISION 2030: TO BE A WORLD-LEADING, GLOBAL AND INCLUSIVE ENGINEERING MEMBERSHIP ORGANISATION



STRATEGIC ENABLERS



OUR VALUES


Inclusion
We work together as one inclusive team, valuing and respecting diversity by opening up to, and actively listening to the contributions one another have to make.
Integrity
We do the right thing for IMechE and for one another by being honest, truthful, and authentic, acting with integrity in every decision we make and every action we take.
Innovation
We find better ways to get things done, innovating to resolve problems, drive change and move our mission forward by making tomorrow better than today.
Impact
We make a difference and an impact in what we do, taking accountability and ownership for meeting our commitments, making things happen by succeeding together and excelling as individuals.

2022 GOALS

KPI 1

Publish 5 year strategy for the Institution that will deliver our mission of improving the world through engineering.

KPI 2

Relaunch IMechE as an End Point Assessment Organisation, supporting apprentices of the future to make their contribution to ensuring a safer and sustainable world.

KPI 3

Develop our complaints procedure to include the new values and behaviours and serious complaints processes and procedures, to strengthen our operations as a diverse and inclusive organisation.

KPI 4

Ensure charity operates a surplus budget at operational level to support our long term financial resilience. Deliver free reserves increase of £250K.

KPI 5

Secure the future of our headquarters through taking a decision on the future of the building via member vote and special meeting.

KPI 6

Deliver improved services to members in an inclusive way through our digital platform modernisation, with projects delivered in line with the Business Plan.

“”

In 2021, there were 468,536 online library downloads alongside 7 webinars with 1,495 registrations.



GENDER PAY GAP REPORTING

The Institution employs less than the requisite 250 employees and does not have to publish gender pay gap information. As part of its commitments to its values and to demonstrate transparency the Institution has made the decision to annually publish gender pay gap information.

In 2021, male employees were paid on average 15.9% more than female employees.

This is due to the proportion of men increasing in each pay quartile, from 38% of the lowest pay quartile to 62% of the highest pay quartile.

Within the individual quartiles pay is much closer with female pay ranging from 98% to 102% of the mean for the quartile and being higher in two of the four quartiles.

Because of changes in the way the report has been created no comparisons against 2020 are available.

In order to address the gap the focus will be on achieving greater female representation within the higher paid roles.

Figure 1: Gender split by pay quartile

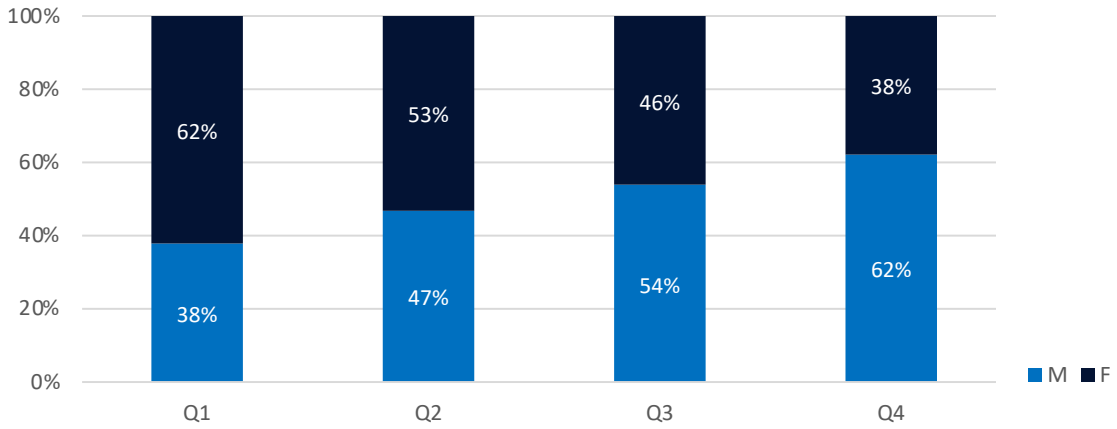
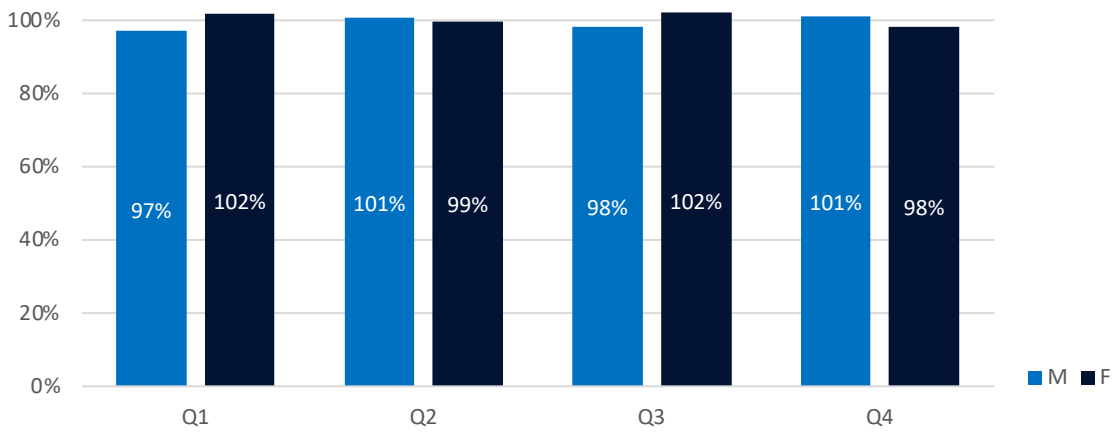


Figure 2: Mean gender pay by quartile



STRUCTURE, GOVERNANCE AND MANAGEMENT OF THE CHARITY

The Institution is governed by a Trustee Board comprising members of the Institution elected to office by Corporate and Associate members, through an annual election process. Trustee essential training is provided at the start of each election term for all Trustees and additional specific training provided as required related to specific activities or skills growth.

TRUSTEE BOARD

President	Peter Flinn
President Elect	Phil Peel
Vice Presidents	Heather Clarke Matt Garside Giles Hartill Richard Judge
International Vice President	Raymond Hodgkinson
Ordinary Members	Bridget Eickhoff Professor David Nowell Helena Rivers
Member ordinarily resident overseas	Vijay Raman
Member under 30	Ross O'Brien
Trustees Retired or Resigned in year	
Past President	Terry Spall
Ordinary Member	Richard East

Trustees typically meet eight times a year with additional meetings as required. Trustees are invited and attend as observers at Council meetings.

SENIOR MANAGEMENT TEAM

The Chief Executive is responsible for the daily management of the Institution in accordance with the Royal Charter and By-laws and the direction of the Trustee Board, and the organisation and deployment of the Institution's employees. Three Directors support the delivery of the Chief Executive's responsibilities.

Chief Executive	Dr Alice Bunn
Finance & Commercial Director	Sean Fox
Human Resources Director	Bims Alalade
Member Operations Director	Joanna Horton

BOARDS AND COMMITTEES

The Trustee Board is directly supported by the work of its governance sub-committees and through the work of its advisory bodies. Responsibility for core Learned Society functions is delegated to operational boards and committees.

Governance sub-committees

- **Audit and Risk** – objective and independent review of risk management, control, and governance processes.
- **Finance** – management of the Institution's finances and investments. The PEP Ltd Board - management of the Institution's trading subsidiaries, reports into the Finance Board.
- **Nominations** – independent and transparent recruitment of qualified members and non-members to boards & committees, and responsible for corporate elections processes and procedures.
- **Remunerations** – remuneration packages for the CEO and Directors, and overall settlement for all employees.
- **Strategy** – developing the Institution's high-level purpose, vision, strategy and objectives.
- **Trustee Board Awards** – administer the disbursement of the Institution's major prizes and awards.

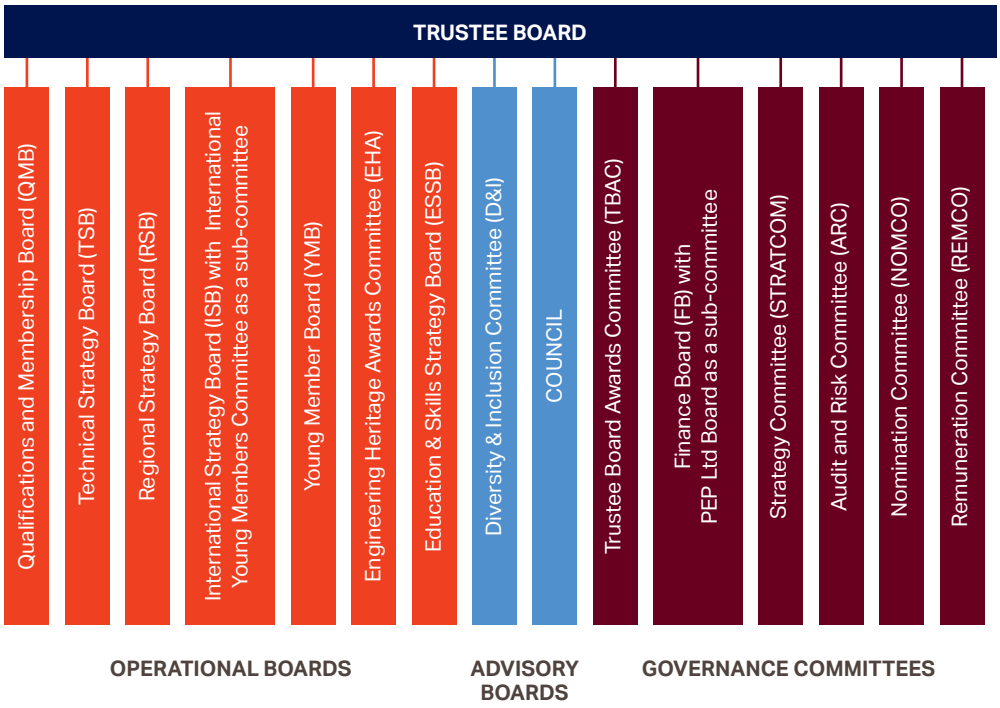
Advisory bodies

- **Council** – tendering advice on the direction and strategy of the Institution and for communicating the representative views of the membership.
- **Diversity & Inclusion** – provides guidance on matters related to equality, diversity and inclusion for both members and employees.

Operational boards and committees

- **Education and Skills Strategy Board (ESSB)** – promotes engineering to the next generation.
- **Engineering Heritage Awards Committee (EHAC)** – recognises and celebrates engineering heritage worldwide.
- **International Strategy Board (ISB)** – Learned Society activities for, and engagement with members based outside of the British Isles. The International Young Members committee reports directly to ISB.
- **Qualification and Membership Board (QMB)** – maintains professional standards and promotes registration to the Engineering Council.
- **Regional Strategy Board (RSB)** – Learned Society activities for, and local engagement with members based in the UK and Republic of Ireland.
- **Technical Strategy Board (TSB)** – promotes technical interests and coordinates Learned Society activities covering industry sectors (Divisions) and engineering technologies (Groups).
- **Young Members Board (YMB) (UK and Republic of Ireland) and the International Young Members Committee (IYMC) (all areas outside of the British Isles)** – champion and promote Learned Society activities for, and engagement with members within ten years of profession registration.

Figure 3: IMechE governance – organisational structure (April 2021)



STRUCTURE OF LOCAL OPERATIONS

Every member is assigned to an Institution region aligned to the defined geographical areas under the remits of the Regional Strategy Board (UK and Republic of Ireland) and the International Strategy Board (all global areas outside of the British Isles). The combined RSB and ISB networks covering our global reach is the key mechanism for the Institution's engagement with members at a local level.

The UK and Republic of Ireland operations are structured into 16 regions and the International operations into 7 regions, each of which is overseen by a committee of volunteers. Regional Committees comprise elected positions such as Chair, Vice Chair, Secretary, and Treasurer, whose work is supported by other volunteer members.

Regional operations can be further delineated into a regional sub-structure comprising local Branches, Areas, Young Member Panels and include the TSB's Division Centres located near to industry hubs.

Details of activities delivered in 2021 by the regional networks and the operating boards are reported elsewhere in this report.

MEMBERSHIP VOLUNTEERING

The extent and success of the Learned Society's engagement and activities is dependent on the commitment and efforts of our volunteer members who are supported by professional and well-trained staff.

The Trustee Board would like to thank the thousands of members around the world who freely volunteer their time to support the Institution in all parts of its learned society activities. Institution members give their time on a purely voluntary basis as members of the Trustee Board, governance committees, advisory bodies, operational boards and committees, and across the regional networks.

Member volunteers are also crucial in the delivery of Professional Reviews, registration events, STEM based activities, local events, mentoring, student challenges, to name just a few of the many opportunities to connect with the Institution. Without this support many of our activities or meetings would not be possible.

PROVISION OF FREE FACILITIES

The Institution pays for most of the external facilities that it uses, particularly at national level. Locally, in the Regions and Centres, there is some dependence on the provision of free facilities to hold meetings and activities.

CHARITY COMMISSION OF ENGLAND & WALES AND OFFICE OF THE SCOTTISH CHARITY REGULATOR

The Institution takes seriously its responsibilities and duties as a large charity and is focused on continuous improvement in its governance framework to fully comply with its statutory and regulatory obligations and to demonstrate best practice.

In 2021 the Institution became a registered charity with the Office of the Scottish Charity Regulator (number SCO51227) to comply with the requirements associated with the opening of a training school in Dunfermline by our trading subsidiary, IMechE Fife NDT. This is in addition to the Institution's longstanding registration with the Charity Commission of England & Wales (number 206882).

In 2021 Corporate and Associate members voted for changes to the Royal Charter and By-laws, which were subsequently approved by the Privy Council.

Three key changes to the Institution's corporate governance were:

- For general meetings of the Institution to be virtual as well as physical, and for members to have the opportunity to attend and vote remotely. This promotes greater inclusion for members in the Institution's corporate life and decision-making by removing barriers to participation by members wherever they are located around the world.
- The removal of four by-laws related to the Trustee Board sub-structure to make way for the introduction of Trustee Board Regulations under the direct control of Corporate and Associate members. A ballot to approve these new Regulations was held in February 2022 and the regulations were approved.
- The introduction of a by-law to permit co-option to the Trustee Board where a defined knowledge or skills gap exists within the cohort of elected Trustees. This change enables the Institution to comply with the Charity Governance Code's requirements for board effectiveness.

As reported in previous Annual Reports the outcomes of the three corporate reviews (finance; governance; code of conduct/disciplinary) resulted in 96 recommendations for improvements. This work was then picked up by the Implementation Group comprising Trustees, Past Presidents, and current or former members of Council.

In 2018–2019, three corporate reviews – finance, governance, and code of conduct/disciplinary regulations – were completed and a group comprising Trustees, Past Presidents and current or former members of Council was established with the task of implementing the reviews' recommendations.



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For Pride Month, we interviewed Peter Gracey, who founded InterEngineering, a cross-industry LGBT network, to talk about diversity and inclusion and why it’s so important.

When the Group completed its work in June 2021 it had implemented 80 of the 96 recommendations. A copy of its close out report can be requested from the Corporate Governance team via governance@imeche.org.

The remaining 16 recommendations were allocated to the senior management team for completion and their full implementation will be reported in due course to members.

There are two key themes associated with this work:

- Evolving the Institution's culture to embody its values. Ongoing work is centred on volunteer members and employees, including a programme of diversity and inclusion training, and the introduction of transparent procedures and processes to address incidents of poor values and behaviours, and for members to raise in confidence concerns about the Institution's management and operations.
- Improving the quality and frequency of communications between members and the Institution to achieve an efficient and effective two-way channel. The Strategy Committee, supported by the CEO and Council's strategy sub-group, is developing a communications strategy to act as a roadmap for longer-term improvements.

INTERNAL CONTROL

Internal control systems provide reasonable but not absolute assurance against material misstatement or loss, and cover measures to identify and manage risk.

IN 2021:

- The Institution appointed a new Head of Programme Office and established the Programme Office. The Programme Office's role is to support the Executive in creating the business strategy, review and reporting of KPIs as well as leading the programme of management across all entities and departments across the Institution.
- The Programme Office developed an internal audit programme that aims to complete a review of the Institution's internal process within the next three years. The new internal audit programme includes drafting guidelines for conducting audits (best practice using an internationally recognised standard). The internal audit programme commenced in Q4 of 2021 and was conducted by an ISO 9001 lead auditor.
- We started a complete review of the Institution's risk strategy, i.e. a review of all documented policies associated with risk, including the risk register (corporate and department-based), risk matrix, risk descriptions and risk approach. The Programme Office will report the results to the Executive and Audit and Risk Committee implementing any actions in 2022.
- The Real Estate Strategy Group management was moved to the Programme Office. Its current role is to assist the Institution in planning for the future of One Birdcage Walk. The RESG maintains a detailed risk register for this project.

AUDITORS

The newly appointed Auditors, BDO completed their first annual audit on behalf of the Institution in March 2021.

EMPLOYEE ENGAGEMENT

The commitment to the improvement of culture and engagement at the Institution has continued with positive experiences of culture transformation taking place across the Institution. The achievement of Investors in People Gold was testament to the embedding of our values amongst our staff and the great work and support our leadership teams have provided since the last assessment in 2018.

With Inclusion being our first core value, the launch of the diversity and inclusion (D&I) training programme has proved to be integral to creating a productive inclusive environment. Trustees, committee leaders, D&I early adopters and senior managers have attended a suite of workshops and accessed additional learning materials. The mixed workshops, comprising employees and members has been highly successful with higher degrees of engagement and implementation within roles.

Employee engagement has also been reviewed resulting in the dissolution of the Employee Engagement Forum which reformed as the Employee Engagement Group with engagement champions heading up key work and engagement streams. Each stream will now have a dedicated champion and invite other employees to support their work as the work with different business heads to ensure that they have greater influence and impact.

The Management Forum has also expanded to enable key stakeholders to be part of the forum allowing them to directly contribute to business planning for the Institution.

Wellbeing continues to be a focal point for the Institution with all employees offered the opportunity to attend a mental health awareness course and we trained more staff to become Mental Health First Aiders. More training was given to support managers with managing remote teams. It is expected that the wellbeing workstream will have greater influence over training, support in respect of hybrid working which the Institution will formally adopt along with increased flexible work patterns.

The Institution is an equal opportunity employer and does not discriminate on the grounds of disability, age, race, ethnicity or sexual orientation. The Institution has continued to focus on retaining skilled employees by providing more secondment and promotion.

ARRANGEMENTS FOR SETTING THE PAY AND REMUNERATION OF KEY PERSONNEL

The remuneration of senior management at Director level and above is reviewed and approved annually by the Remuneration Committee. The Committee ensures arrangements are affordable and fair, and designed to motivate and reward performance in the interests of the Group. Remuneration is benchmarked periodically using external surveys and data which include both commercial and not-for-profit organisations.

PUBLIC BENEFIT STATEMENT

The Trustees confirm that they have complied with the duty in Part 1, Section 4 of the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit, 'Charities and Public Benefit'.

The charitable objective of the Institution is to promote the development of Mechanical Engineering to benefit "the general public / mankind" as detailed in the Royal Charter. The Trustees ensure that this purpose is carried out for the public benefit by delivering services that are valued by our members and setting standards of achievement for engineers, thereby engendering public confidence and trust.

Membership is open to people who are pursuing a career or have an interest in mechanical engineering.

The Institution actively pursues the development of debate and action on topics for the betterment of society that relate to mechanical engineering. The Institution provides free literature, free lectures and free access to the library to encourage members of the public to engage in the improvement of the world through engineering. Many of these have been delivered online since last year due to COVID-19 restrictions.

RISK MANAGEMENT

The Programme Office maintains the corporate risk register. The Executive regularly update the record with oversight from the Audit and Risk Committee.

Risk issues identified may impact the Institution's strategy, finances, regulation and reputation, so their identification, documentation and treatment are vital in mitigating high priority or high impact areas, as well as confirming the Institution's risk appetite.

The Corporate Risk Register is reviewed at the Trustee Board level to ensure that, where possible, risks are being mitigated and managed effectively. The register is presented annually to the Trustee Board and reviewed more frequently by the Audit and Risk Committee to ensure risks are managed effectively and remain relevant.

Overall responsibility for risk management rests with the Trustee Board. Comprehensive risk registers are maintained at the department level with a consistent approach to risk being adopted throughout the organisation. The COVID-19 pandemic generated additional risk reviews necessitated by the frequent changes to Government guidelines and the impact of the pandemic on the Institution's operations.

MODERN SLAVERY: COMMITMENT STATEMENT

The IMechE is committed to preventing acts of modern slavery and human trafficking from occurring within its business and supply chain, and suppliers.

As part of our commitment to combating modern slavery, we will continually review the requirements of the MSA 2015 and when appropriate, consider implementing appropriate modern/ anti-slavery policies and processes within the organisation.

In considering whether to implement the above, we consider:

- Our supply chain
- Any outsourced activities, particularly to jurisdictions that may not have adequate safeguards
- Cleaning and catering suppliers
- Corporate hospitality

RISK APPETITE STATEMENT 2021

INTRODUCTION

Risk can be described as an 'acceptable level of threat that an organisation or function is willing to tolerate while pursuing and delivering its financial and operational priorities'.

The Institution's priorities include (but are not limited to):

- Its charitable aims and principles (including our Royal Charter).
- Duty of care to the Charity and our members
- Our resources (people, infrastructure, environment for the operations)
- Our commitment to continual review and improvement
- The approval of our Trustee Board

OUR APPROACH

The Institution's approach to risk is to identify issues that could impact its business objectives. Where issues or potential issues are identified, they are evaluated and recorded as risks. Evaluating risks allows the Institution to assess whether they are acceptable in their current state or whether additional measures need to be implemented to reduce the probability or impact of them occurring.

This approach provides the Institution with an opportunity to make improvements to the business and charity.

The Institution will only accept a risk where the potential benefit or detriment to the business is understood and where sensible measures are in place to control or mitigate the risk.

As risks bear a cost, they are also expressed in financial terms, thus allowing the Institution to evaluate their financial impact.

The Institution's risk appetite is linked inextricably to our ability to measure and manage risks. We use several methods to achieve this by implementing policies, procedures, conducting regular reviews and updates, and assurance processes (internal audits).

The Institution's approach to risk is proactive and in line with its business strategy.

FURTHER WORK

We will look to continue to develop statements on the following for the next annual report: Charities Governance Code.

OPERATIONS AND CHANGE MANAGEMENT

IT infrastructure and systems

We have completed our programme to migrate from an on-premises infrastructure to Microsoft Azure cloud platform. By the end of 2020 all key systems were cloud-based.

All digital projects are managed in-house and in 2021 the Strategy Committee will oversee a Digital sub-committee on behalf of Trustee Board.

MAJOR ORGANISATIONAL RISKS

Risk	Description	Mitigation
The cost of maintaining Property Assets - One Birdcage Walk	The cost of running and maintaining property assets is very high. One Birdcage Walk requires major structural works due to its age & condition. The cost of those works will exceed £8 million. Revenue produced from venue hire, tenants & other initiatives does not cover running costs, and the COVID-19 pandemic also resulted in the underutilisation of our property assets. One Birdcage Walk's future depends on achieving a 2/3 vote by the membership. There is an additional risk that if a 2/3 membership vote is not achieved, although risk reduction strategy may reduce the impact of the risk, it will remain without resolution.	To continue the information campaign, complete the consultation, and seek member approval by achieving a 2/3 vote.
Governance challenges	Corporate Governance risks associated with leadership and accountability continue to be an area of risk for the Institution and have resulted in several measures, i.e., amendment of the By-Laws, values and behaviours framework together with reviews of Finance, Governance, and the Codes of Conduct by the Implementation Group.	Privy Council approval of the By-Laws, the roll-out of the Values & Behaviours framework for all major Boards & Committees, Codes of conduct for the Implementation Group and completion of engagement for RESG project.
Professional Engineering Projects Ltd does not deliver budgeted profits	Professional Engineering Projects Ltd (PEP) has four trading entities: Venue Hire, Learning & Development, Argyll Ruane, and Sonaspection. Although income exceeded budgets in 2019, the four entities were negatively impacted by the COVID-19 pandemic. The pandemic will continue to expose PEP Ltd to a risk of further loss in 2022/3.	The IMechE will complete the PEP Strategic review and make recommendations to the Finance Board on the future strategy for PEP. Further, we are in the process of rolling out the values and behaviours workshops to embed new culture and aid staff retention.
Membership and Accreditations	Compared to other Professional Engineering Institutions (PEI), the IMechE has limited resources to devote to member recruitment. Current data suggest that PEIs only capture 10% of the total engineering audience; however, the estimated size of potential registrants is 30%. Of this 10%, statistics suggest that the age profile of the registrant is skewed to older members so there is a risk that membership numbers will decline if not replenished. Factors such as PEI registration becoming less relevant to employers and the divergence of modern engineering careers that no longer fit neatly into a single PEI exacerbate the decline. Another factor affecting member registration is increasing international protectionism along with changes at the IEA level.	Mitigations include the support and value that we can add to regional areas to make IMechE membership attractive. For example, regular member surveys, implementation of effective business development function and proposition based around registration, use of Falzani model to predict retirement, regular reviews of performance at Senior Leadership team and Trustee Board, setting objectives conducive to being amongst the top UK PEI, launching of the new diversity and inclusion strategy plan, improvement of payment options for Armed Forces' employers' and the digitalisation of membership subscription package. This list is not exhaustive.
IT Infrastructure – Maintaining information integrity and security	IT infrastructure and operations continue to pose a significant risk to the Institution, mainly where IT systems and processes are no longer fit for purpose. Cyber security remains a continuing risk, as it does to all organisations.	Mitigation includes the appointment of a new Chief Technology Officer and other IT professionals and projects centred around servers (cloud migration, development and maintenance), documented information, and the improvement of our security and disaster recovery procedures.
Compliance with Regulatory requirements	These are risks associated with regulatory requirements such as GDPR and Health & Safety.	Implementation of appropriate policies and procedures to maintain the confidentiality, integrity and security of our data (UK GDPR). Project planning to improve our software and hardware integrity will help achieve this. For Health & Safety, we will continue to use the committee and employ professionally qualified facilities management staff to ensure Health & Safety conformity at all sites. We have regular site inspections and reviews by senior management and a Health & Safety report is reviewed by the Trustee Board.



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Achieving self-funding for the charitable business and increasing the level of free reserves have become key priorities.

FINANCIAL REVIEW

FINANCIAL RESULTS

The key objective in improving the financial position of the Institution is to provide secure financial underpinnings to deliver the Learned Society activities to our members. The Institution runs several commercial ventures and invests in innovation as part of supporting its overall charitable purpose. Following the completion of the Finance Review in 2019, achieving self-funding for the charitable business and increasing the level of free reserves have become key priorities.

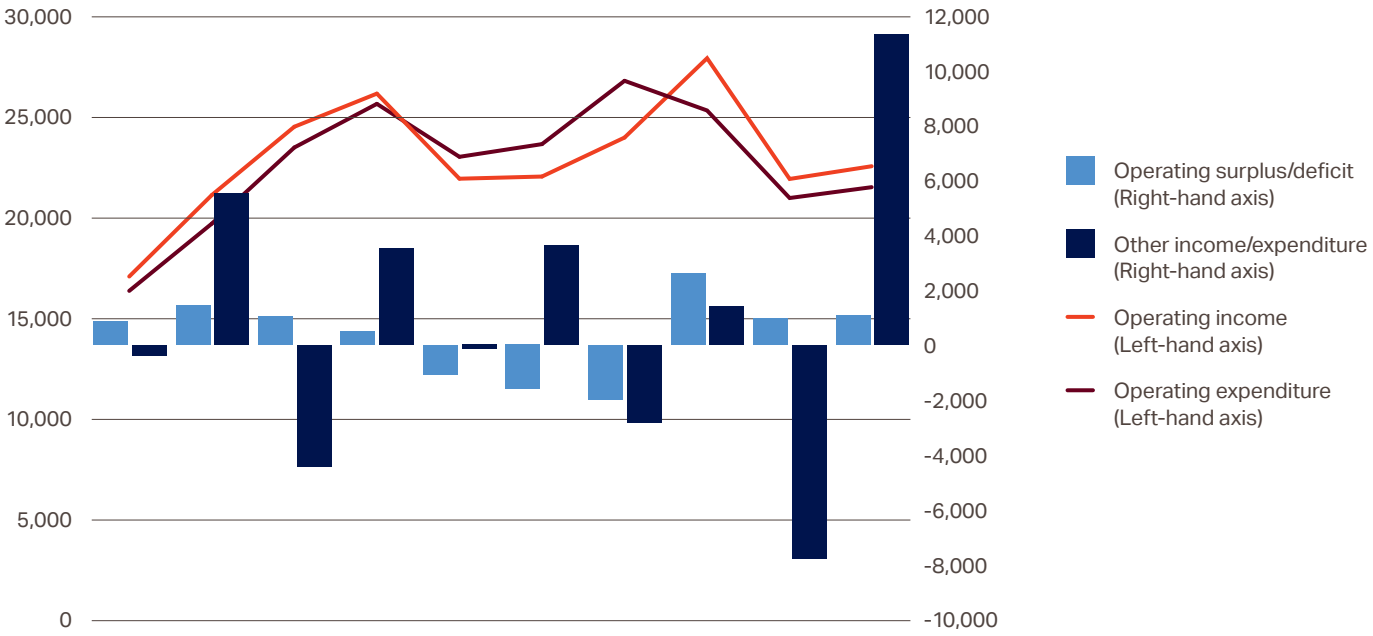
In 2021, overall income rose 3% to £22.6M (2020 – £21.9M).

£0.1M of other income (2020: £0.4M) relates to furlough income receivable under government COVID-19 support schemes.

Operating expenditure rose 4% to £21.9M (2020 – £21.0M) resulting in an operating surplus of £0.7M (2020 – £0.9M).

Non-operating costs included a £1.8M gain on investments (2020– £0.7M loss), and a £9.4M actuarial gain (2020 – £7.1M loss) on the pension fund scheme (see note 10 for full details), resulting in a net movement of funds (operating and non-operating) of £11.9M surplus (2020 – £6.9M deficit) for the year.

Figure 4: Income and expenditure trends 2012–2021 (£'000s)



CHARITY RESERVES

On 17th March 2022, the Trustee Board changed its policy on reserves, in order to align more completely with the requirements of Charity Commission document CC19, from requiring a certain number of months of charitable expenditure to having a target of specific reserves to cover:

- Special projects (excluding routine maintenance) eg the extensive capital repairs needed to One Birdcage Walk.
- Major risks – a judgement based on a combination of those known or reasonably forecast in the medium-term – as defined in the Institution's Risk Register.
- Unknown risks for a major loss of income (eg the type of unexpected event that COVID-19 was in 2020).
- The cost of orderly wind-up of the charity if ever required.

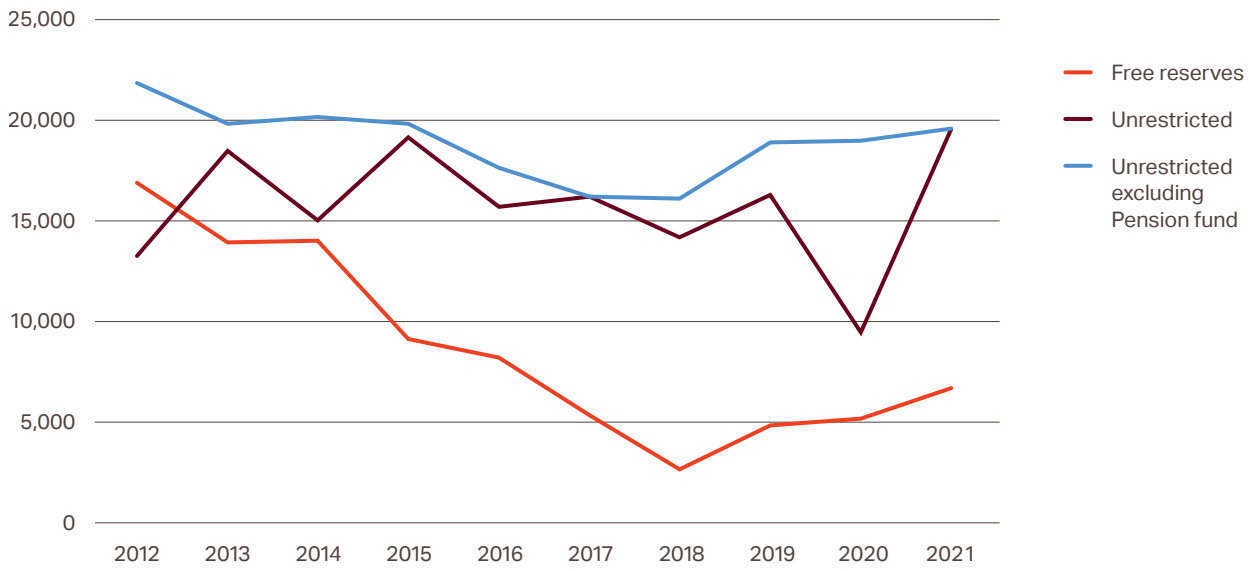
The new reserves target is £11.6M. Of this, £7m is required to cover known major repairs to the HQ building. Once any building upgrade goes ahead, these repairs will be included and subsequently this component of the free reserves target could be substantially reduced

As of 31st December 2021, this calculation of free reserves was as shown:

	2021 £'000	2020 £'000
Total Charity funds excluding pension liability	35,150	32,900
Less: Endowment funds	(11,842)	(10,717)
Less: Restricted income funds	(3,592)	(3,647)
Unrestricted funds	19,716	18,536
Less: mixed-motive investments	(2,908)	(2,679)
Less: intangible assets	(3,530)	(3,610)
Less: tangible assets	(6,298)	(6,697)
Less: current year pension deficit payments	(500)	(410)
Free reserves	6,480	5,140

The main action to bring the free reserves back to target is the current project to refurbish the current HQ building at Birdcage Walk. An indicative poll was held in early 2022 and a special meeting will be held at a future date to ask member approval for the Trustee Board proposal. If this is approved the project will progress to the next stage but full completion of the project is not likely until the end of 2024.

Figure 5: Trends in unrestricted and free reserves 2012–2021 (£'000s)



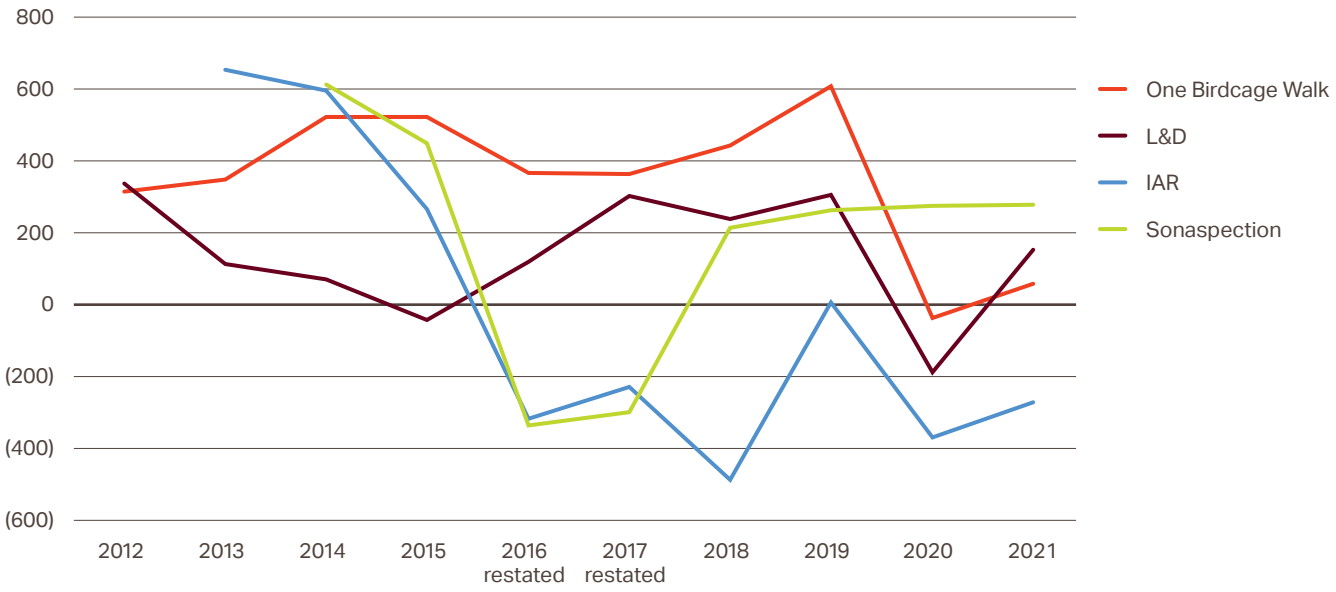
TRADING ENTITIES

The governance of the trading companies is the responsibility of the Finance Board, chaired by the Honorary Treasurer, reporting to the Trustee Board. The Board of Professional Engineering Projects Ltd (PEP) directly manages the activities of the trading entities and is chaired by a Trustee, who is also the Deputy Chair of the Finance Board. Both boards have external members who are senior members of the Institution or appropriately qualified independent members, supported by external professional advice. The PEP Ltd Board approves both the annual operation plan and three-year strategic plan for each operating business which is then submitted to the Finance Board for approval as part of the overall Institution's financial processes.

The Institution operates four main trading activities through its subsidiary Professional Engineering Projects Ltd and its sub-subsidiaries. The shared costs (finance, HR, IT and legal & professional) and other minor commercial activities were a net cost of £0.39M in 2021, (2020: £0.40M). Partially offsetting this were £0.11M of R&D tax credit claims received in cash during the year (2020: £0.03M).

During 2021 there was a significant recovery from the impact of the COVID-19 pandemic and the associated lockdowns and travel restrictions, but still material impact on some businesses. More details of the impact on each business are in the table following. Overall trading income fell by 2% in 2021 to £6.6M (2020: £6.7M) but the operating result improved to a loss of £0.1M (2020: £0.7M loss) at budgeted exchange rates, after direct costs of £6.7M.

Figure 6: Commercial trading entities profit and loss trends 2012–2021 (£000s)



One Birdcage Walk

Our Venue Hire business, trading under the 'One Birdcage Walk' brand at our head office was severely impacted by the COVID-19 epidemic during 2020 and continued to be impacted well into 2021 with almost no trading in the first eight months of 2021. However, there was a strong recovery from September onwards with 63% of the full year budgeted turnover achieved, and a return to operating profit.

Income rose 24% compared to 2020 to £0.36M (2020: £0.29M) although this is still far behind the 2019 turnover of £1.35M pre-Covid. Operating profit of £0.06M was achieved (2020: £0.04M loss). Excluding the impact of furlough income (which has to be treated as turnover under accounting rules), underlying turnover is up 35% compared to 2020.

The 2022 budget assumes no significant Covid restrictions during 2022, leading to a 100% increase in turnover to £0.71M and a proportional increase in profit. Early trading in 2022 prior to signing of these accounts is slightly ahead of our budgeted turnover.

Learning and Development

Our London-based training business was also severely impacted by the COVID-19 epidemic during 2020 but saw a steady return towards normal levels of activity during 2021, aided by our increased on-line training capability.

Income increased by 42% to £1.60M (2020: £1.13M) and the business delivered an operating profit of £0.14M (2020: £0.17M loss). Excluding the impact of furlough income underlying turnover is up 53% compared to 2020.

The business continued to make use of the government furlough scheme although at a significantly lower level than 2020 .

The business is currently still operating at below pre COVID-19 levels of activity with a 10% increase in turnover expected in 2022. Because of the increased costs following the loss of furlough, a return to physical activity, and further investment in marketing to support longer term growth, a small reduction in operating profit is expected.

Early levels of orders and activity in 2022 are strong and we are trading a little ahead of budgeted turnover.

IMechE Argyll Ruane (IAR)

2021 continued to be significantly impacted by COVID-particularly our overseas exam service where many of our affiliated overseas exam centre customers remained closed for large parts of the year. This was exacerbated by one of our largest UK affiliated exam centres ceasing trading early in 2021, due to COVID.

This left a significant geographical gap in the UK training market and we were able to acquire the equipment and samples of this business, and take on some of their staff, to launch a new training centre in Dunfermline, Scotland under the IMechE Fife NDT name, but managed together with the existing Sheffield based business. The new business opened for trading in July 2021.

Overall turnover increased 10% to £2.00M (2020: £1.81M) with underlying trading (excluding both furlough income and IMechE Fife NDT also increasing 10% to £1.87 (2020: £1.71M)). The operating loss reduced by 26% to £0.27M loss (2020: £0.37M loss) although £0.14M of this was start up losses for the new site with operating profit of the Sheffield business reducing by 64% to £0.13M.

A significant improvement is expected in 2022, including a full year contribution from IMechE Fife NDT, a 50% budgeted increase in turnover to around £3M and a return to a small level of profit. Early trading is mixed but running a little behind budget so far with action underway to address this.

Sonaspection

Due to operating in essential industries such as energy infrastructure, Sonaspection has not been affected by Covid during 2021, other than the occasional staff absence, and there has been no impact on results from COVID.

Turnover fell 24% in 2021 to £2.66M (2020: £3.50M) reflecting the winding down of sales to the Hinkley Point C nuclear new build but higher margins and reduced overheads resulted in a 7% increase in operating profits to £0.29M (2020: £0.27M profit), assisted by the US operations becoming profitable in 2021 after a loss in 2020.

Orders were very strong in the second half of 2021 and turnover is budgeted to increase 13% in 2022 with profits roughly stable as some of the exceptional margins achieved in 2021 are expected to decline closer to historic levels. Trading and orders have been very strong in early 2022 with activity close to capacity and it is expected that both turnover and profit expectations for 2022 will be revised upwards as the year progresses.

BALANCE SHEET

Through the Stephenson LLP fund, we invested in early stage innovation companies until November 2018, in line with our charitable aim of being an impulse to innovation. At the end of 2021, we had invested £1.8M in 11 companies (2020: also £1.8M in 11). The market value of these investments was £2.9M at the end of 2021 (2020: £2.7M), an increase of £0.2M (2020: £0.7M decrease). Further investment is now on hold, outside of the costs necessary to operate the fund for the remainder of its life.

Our listed investments increased to £19.9M (2020: £18.3M) due to market value movements.

Intangible assets decreased £0.1M to £3.5M (2020: £3.6M). Our continued investment in our digital modernisation programme was offset by further Digital Modernisation developments going live, triggering the start of amortisation, which increased significantly in 2021 as further elements of the programme were implemented. In addition, the balance of work completed before 2019 was impaired at a cost of £0.2M. In future years amortisation and investment are expected to remain broadly in balance.

Tangible fixed assets decreased by £0.4M to £6.3M (2019: £6.7M). Investment in land and property is low while the project to refurbish headquarters is in the planning stages.

Due primarily to increases in interest rates during the year and investment performance in excess of assumptions, the pension fund moved from a deficit of £9.5M in 2020 to a nil deficit at the end of 2021. The sensitivity of this fund is such that a 0.5% reduction in interest rates leads to a £5.5M increase in pension liabilities. The aim of the Trustees of the Pension fund and the Institution is to transfer the total risk to an acceptable financial vehicle, such as an insurance company, in the medium- term.

Due to the £11.9M overall increase in funds, group reserves increased to £35.2M from £23.4M in 2020. Excluding the volatile pension fund deficit, group reserves increased £2.4M to £35.2M. The Institution continues to remain financially sound. The Trustee Board is committed to maintaining financial prudence and, in particular, making an overall surplus and increasing free reserves.

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IMechE Archivist Lucy Bonner, and AV Multimedia Designer Syed Ansar, filmed a video to mark the start of our 175th celebrations.



DEGREE OF FINANCIAL DEPENDENCY

The Institution is dependent on the voluntary efforts of its members. However, there is no significant degree of dependence on any single member or small group of members in respect of voluntary effort or financial contributions.

Income from events and publications is also derived from a significant number of independent sources. However, the success of these activities is dependent on the general state of the economy.

GOING CONCERN

The Trustees have considered several factors in concluding that the adoption of a going concern basis in the preparation of these financial statements is appropriate. These factors have included a summary of the key risks and uncertainties in the context of the Institution's operations (including COVID-19) and a review of the budgets and forecasts, including cash flows and sensitivity analysis. The future forecast considers the mitigating actions the Institution has taken and considers both immediate liquidity and longer-term solvency, together with the impact on reserves.

Working capital requirements are met through a combination of income received from the Institution's activities, including commercial activities undertaken in the Institution's trading subsidiaries. The Institution has the ability to drawdown against funds held within the Institution's unrestricted investment portfolio if required. The Institution does not have any debt facilities but has, since year end, received £0.1M into the trading subsidiaries from the government bounce-back loan scheme.

The impact of the COVID-19 on the Institution's operations has substantially reduced during the year and we expect there to be no further impact in the future, subject to unexpected developments in new variants. However, the move to on-line activities will partially remain through a permanent hybrid approach which has proved both effective and popular, with some permanent cost savings as a result.

Membership income is a key income stream and the Institution continues to ensure the delivery of value from being a member to guard against any decline. The experience of 2021 has been incorporated into future forecasts.

As detailed above, Trustees have reviewed sensitivities and approved a 2022 budget reflecting expected levels of income to target a cash surplus during the year.

Having regard to the above, the Trustees believe it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

SUMMARY OF FUNDS AND INVESTMENTS

GENERAL

A description of all the various funds included within the Institution's accounts is provided below.

INVESTMENT POLICY AND RETURNS

The Trustee Board has established an investment policy which is reviewed on an annual basis. The policy includes the following principles:

1. A diversity of investments will be held, in so far as is appropriate to the fund concerned. This may be achieved via a pooled investment vehicle like a unit trust or investment trust.
2. Investment policy will be appropriate to the needs of the fund.
3. Appropriately authorised investment managers will be employed.
4. Appropriately authorised nominees may be employed to hold individual stocks and shares. The investment managers work towards the following objectives:

RESERVE FUND, GENERAL TRUST & JAMES CLAYTON TRUST

Target asset allocations have been set for each fund with the objective of outperforming the relevant composite benchmark by 0.5% over rolling three-year periods. The composite benchmark being calculated using the asset allocations and an appropriate index for the asset class.

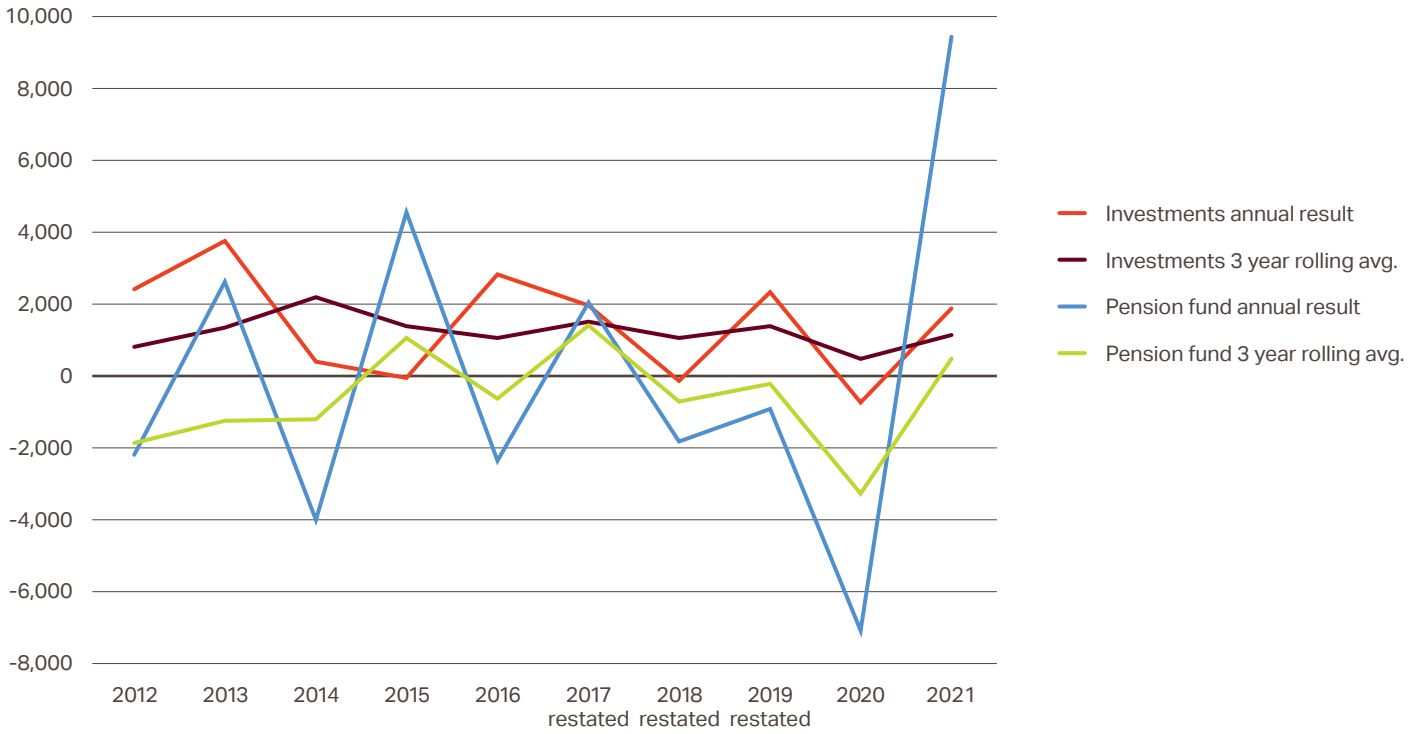
OTHER TRUSTS

Funds are invested in special pooled funds restricted to charity use. It is not appropriate to set individual objectives for these investments. However, performance is compared against statistics prepared by the Investment Management company.

A summary of the total annual rates of return (income and capital) achieved on investments during 2021 and 2020 is as follows:

	Year to 31.12.21	Year to 31.12.20
	%	%
Reserve Fund	10.3	7.0
General Trust	10.5	7.1
James Clayton Trust	10.4	7.1
Charities Official Investment Fund income units	17.4	5.1
Whitworth Scholarships Fund – Charishare	14.9	(4.7)
Whitworth Scholarships Fund – Charinco	(3.7)	6.7

Figure 7: Investment and pension fund gains/losses trends 2012–2021 (£'000s)



STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF TRUSTEES' ANNUAL REPORT AND THE FINANCIAL STATEMENTS

Under the trust deed and rules of the charity and charity law, the Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Charity law requires the Trustees to prepare financial statements for each financial year. The Trustees have elected to prepare the financial statements in accordance with FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The group and charity's financial statements are required by law to give a true and fair view of the state of affairs of the group and the charity and of the group's excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the Trustees:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- State whether the financial statements comply with the trust deed and rules, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the charity will continue in business.

The Trustees are required to act in accordance with the trust deed and the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the Trustees to ensure that, where any statements of accounts are prepared by them under section 132(1) of the Charities Act 2011, those statements of accounts comply with the requirements of regulations under that provision. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities. The Trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

FUNDRAISING

The charity had no fundraising activities requiring disclosure under S162A of the Charities Act 2011.

DISCLOSURE OF INFORMATION TO AUDITOR

The Trustees who held office at the date of approval of this Trustees' Annual Report confirm that, so far as they are each aware, there is no relevant audit information of which the Institution's auditor is unaware; and each Trustee has taken all the steps that he/she ought to have taken as a Trustee to make himself/herself aware of any relevant information and to establish that the Institution's auditor is aware of that information. The financial statements have been prepared in accordance with the accounting policies set out in the notes to the accounts and comply with the charity's governing documents, the Charities Act 2015 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, published on 16 July 2014.

This annual report was approved by the Trustee Board on 4 May 2022 and was signed on its behalf by



Peter Flinn
President



Phil Peel
Chair, Finance Board



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Dr Alice Bunn, IMechE CEO and Peter Flinn, IMechE President both attended COP26 in 2021 to raise the voice of engineers. Our profession is the one which will generate many of the solutions to tackle climate change and help society adapt to it.

INDEPENDENT AUDITOR'S REPORT TO TRUSTEES OF INSTITUTION OF MECHANICAL ENGINEERS

OPINION ON THE FINANCIAL STATEMENTS

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 2021 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 and the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006, as amended in 2010..

We have audited the financial statements of Institution of Mechanical Engineers ("the Parent Charity") and its subsidiaries ("the Group") for the year ended 31 December 2021 which comprise the consolidated) statement of financial activities, the consolidated balance sheets, the consolidated statement of cash flows and notes to the accounts, 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).*

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.

INDEPENDENCE

We remain 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.

CONCLUSIONS RELATED TO GOING CONCERN

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

The Trustees are responsible for the other information. The other information comprises the information included in the Trustee Board's Report other than the financial statements and our auditor's report thereon. The other information comprises the Trustees' Report. 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. 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 Act 2011 and the Charities and Trustee Investment (Scotland) Act 2005 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
- adequate accounting records have not been kept by the Parent Charity; or
- the Parent Charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF TRUSTEES

As explained more fully in the Statement of Trustees' Responsibilities in respect of the Trustees' Annual Report and the 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 determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Group'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 144 of the Charities Act 2011 and 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.

EXTENT TO WHICH THE AUDIT WAS CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the charity and the industry in which it operates, we identified that the principal laws and regulations that directly affect the financial statements to be relevant are the Charities Act in the UK, UK GAAP and tax legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

We considered the Parent Charity's own assessment of the risks that irregularities may occur either as a result of fraud or error. We also considered financial performance and key drivers for any performance targets. We also considered the risks of non-compliance with other requirements imposed by the Charity Commission and we considered the extent to which non –compliance might have a material effect on the financial statements.

In addition the Charity is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We have identified the following areas as those most likely to have such as effect: employment law and data protection. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of Those Charged with Governance and other management as well as inspection of regulatory and legal correspondence if any.

Audit procedures performed by the engagement team included:

- Enquiry with management, staff and advisors in tax and compliance functions and Those Charged with Governance regarding known or suspected instances of non-compliance with laws and regulation and fraud;
- Enquiry of management and Those Charged with Governance around actual and potential litigation and claims;
- Reviewing minutes of meetings of Those Charged with Governance;
- Assessing the design and operating effectiveness of controls and procedures relevant to the preparation of the financial statements and the detection and prevention of irregularities and fraud;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Testing the transfer of data from the old finance system to the new finance system to verify the completeness and integrity of financial data;
- Identifying and testing the appropriateness of journal entries and other adjustments, with particular focus on unusual account combinations and postings by unexpected users or senior management;
- Challenging the assumptions and judgements made by management for key estimates, in particular the valuation of investments and assumptions used to value the defined benefit pension scheme;

- Reviewing performance related payments made to staff, with particular challenge as to whether individuals receiving such payments were able to influence the metrics used to determine amounts to be paid; and
- Incorporating unpredictability into our testing approach through amending the nature and extent of audit procedures.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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 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.

BDO LLP, statutory auditor
London, UK

Date:

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).

FINANCIAL STATEMENTS

Year ended 31 December 2021

Consolidated Statement of Financial Activities including an income and expenditure account

Income and Endowments from:	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2021 Total £'000	2020 Total restated £'000
Donations and Legacies		113	–	–	113	72
Charitable Activities						
Membership Subscriptions		12,436	–	–	12,436	12,468
Groups, Divisions and Events		1,117	–	–	1,117	578
Apprentice End Point Assessment		1,172	–	–	1,172	411
Professional Development		174	–	–	174	205
Information and Library Services		3	–	–	3	4
Other trading activities						
Venue Hire, Training, Exam Services, Consultancy, Flawed Samples		6,353	–	–	6,353	6,461
Investments						
Interest and Dividends	14	125	512	–	637	634
Other						
Other Income	2	91	–	–	91	399
Rents Receivable		506	–	–	506	697
Total		22,090	512	–	22,602	21,929
Expenditure on:						
Raising funds						
Non-charitable Trading Activities		7,015	–	–	7,015	7,665
Investment Management Costs		–	10	–	10	9
Charitable Activities						
Groups, Divisions and Events		4,369	–	–	4,369	3,856
Marketing		1,686	–	–	1,686	1,769
Business Development		2,395	–	–	2,395	2,229
Apprentice End Point Assessment		1,162	–	–	1,162	455
Professional Development		763	–	–	763	826
Information and Library Services		801	–	–	801	787
Membership Subscriptions		2,527	–	–	2,527	2,345
Tenants and Public Facilities		400	–	–	400	506
Prizes, Awards and Scholarships		84	651	–	735	556
Total	3	21,202	661	–	21,863	21,003
Net gains/(losses) on investment assets	13/14	399	252	1,125	1,776	(742)
Net income		1,287	103	1,125	2,515	184
Other recognised gains/(losses)						
Actuarial (losses) on defined benefit pension scheme	10	9,425	–	–	9,425	(7,081)
Net movement in funds		10,712	103	1,125	11,940	(6,897)
Reconciliation of funds						
Total funds brought forward	22	9,004	3,647	10,717	23,368	30,243
Opening balance adjustment		-	(158)	-	(158)	(136)
Total funds brought forward, as restated	-	9,004	3,489	10,717	23,210	30,107
Total funds carried forward	22	19,716	3,592	11,842	35,150	23,210

The statement of financial activities includes all gains and losses in the year. All incoming resources and resources expended derive from continuing activities. The notes to the accounts numbered 1 to 28 form part of these accounts.

Statement of Financial Activities

	2020 Unrestricted Funds £'000	2020 Restricted Funds restated £'000	2020 Endowment Funds £'000	2020 Total restated £'000
Total Income	21,434	495	–	21,929
Total expenditure	(20,494)	(509)	–	(21,003)
Net investment gains/(losses)	(663)	(169)	90	(742)
Actuarial losses on defined benefit pension scheme	(7,081)	–	–	(7,081)
Net movement in funds	(6,804)	(183)	90	(6,897)

Consolidated Balance Sheet as at 31 December 2021

	Notes	Group 2021	Group 2020 restated	Institution 2021	Institution 2020
		£'000	£'000	£'000	£'000
Fixed Assets					
Intangible assets	11	3,530	3,610	3,322	3,447
Tangible assets	12	6,298	6,697	5,516	5,919
Investments: mixed motive	13	2,908	2,679	2,908	2,679
Investments: listed	14	19,876	18,310	12,736	11,766
Total fixed assets		32,612	31,296	24,482	23,811
Current Assets					
Stocks	15	246	128	–	–
Debtors	16	3,175	2,556	7,353	7,434
Cash at bank and in hand		7,210	6,079	6,619	4,751
Total current assets		10,631	8,763	13,972	12,185
Liabilities					
Creditors: amounts falling due within one year	17	8,010	7,317	6,460	6,178
Net current assets or liabilities		2,621	1,446	7,512	6,007
Total assets less current liabilities		35,233	32,742	31,994	29,818
Creditors: amounts falling due after one year	18	83	-	-	-
Net assets excluding pension liability		35,150	32,742	31,994	29,818
Defined benefit pension scheme liability	10	-	(9,532)	-	(9,532)
Net assets	22	35,150	23,210	31,994	20,286
The funds of the charity					
Endowment funds		11,842	10,717	7,644	6,864
Restricted income funds		3,592	3,489	702	786
Unrestricted funds		19,716	18,536	23,648	22,168
Pension reserves		-	(9,532)	-	(9,532)
Total unrestricted funds		19,716	9,004	23,647	12,636
Total charity funds	22	35,150	23,210	31,994	20,286

The consolidated statement of financial activities is for the Group as a whole. The Charity's total income for the year was £16,229k (2020: £15,156k). The Charity's total funds increased by £11,708k in the year (2020: £5,692k decrease).
The financial statements were approved by the Trustee Board on 4 May 2022 and were signed on its behalf by:



Peter Flinn
President



Phil Peel
Chair, Finance Board

The notes to the accounts numbered 1 to 28 form part of these accounts
Charity Registration No: 206882
Scottish Charity Regulator No: SCO51227

Institution of Mechanical Engineers – Consolidated Statement of Cash Flows Year ended 31 December 2021

	Notes	2021	2020
Cash flows from operating activities:		£'000	£'000
Net cash provided by operating activities	25	1,805	1,753
Cash flows from investing activities:			
Dividends, interest and rent from investments	14	637	634
Purchase of property, plant and equipment	12	(366)	(583)
Proceeds from sale of property, plant and equipment		5	
Purchase of mixed motive investments	13	(35)	(43)
Purchase of intangible assets	11	(1,030)	(1,345)
Proceeds from sale of investments	14	3	118
Cash awaiting investment		12	15
Net cash (used in)/from investing activities		(774)	(1,204)
Cash flows from financing activities:			
New bank loans		100	-
Net cash flows provided by financing activities		100	-
Change in cash and cash equivalents in the reporting period		1,131	549
Cash and cash equivalents at the beginning of the reporting period		6,079	5,530
Cash and cash equivalents at the end of the reporting period		7,210	6,079

The notes to the accounts numbered 1 to 28 form part of these accounts

Analysis of Net Funds

	Balance 01.01.2021	Group CashFlows	Balance 31.12.2021
	£'000	£'000	£'000
Cash awaiting investment	53	(12)	41
Cash at bank and in hand	6,079	1,131	7,210
	6,132	1,119	7,251

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. ACCOUNTING POLICIES

The Charity is registered with the Charity Commission (registered number: 206882), and the Scottish Charity Regulator (registered number: SCO51227) domiciled in the UK and is a public benefit entity and incorporated by Royal Charter in 1930. The address of the registered office is 1 Birdcage Walk, London, SW1H 9JJ

a) Basis of preparation

The Financial Statements have been prepared in accordance with the Charities SORP, FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and applicable UK charity law.

The Financial statements have been prepared to give a true and fair view and have departed from the charities (Accounts and Reports) Regulation 2008 only to the extent required to give a true and fair view. This departure has involved following 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 (FRS102) effective 1 January 2019 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

The annual accounts have been prepared on the historical cost basis of accounting, modified by the recognition of certain financial assets and liabilities measured at fair value.

b) Going Concern

The Trustees have considered several factors in concluding that the adoption of a going concern basis in the preparation of these financial statements is appropriate. These factors have included a summary of the key risks and uncertainties in the context of the Institution's operations (including COVID-19) and a review of the budgets and forecasts, including cash flows and sensitivity analysis.

The budgets and forecasts consider the mitigating actions the Institution can deploy and consider both immediate liquidity and longer term solvency, together with the impact on reserves.

Working capital requirements are met through a combination of income received from the Institution's activities, including commercial activities undertaken in the Institution's trading subsidiaries. The Institution has the ability to drawdown against funds held within the Institution's unrestricted investment portfolio if required. The Institution does not have any debt facilities other than the bounce back loans taken out by two commercial subsidiaries (Notes 17 and 18).

The impact of the COVID-19 on the Institution's operations has substantially reduced during the year and we expect there to be no further impact in the future, subject to unexpected developments in new variants. However, the move to on-line activities will partially remain through a permanent hybrid approach which has proved both effective and popular, with some permanent cost savings as a result.

Membership income is a key income stream and the Institution continues to ensure the delivery of value from being a member to guard against any decline. The experience of 2021 has been incorporated into future forecasts.

1. ACCOUNTING POLICIES (CONTINUED)

As detailed above, Trustees have reviewed sensitivities and approved a 2022 budget reflecting expected levels of income to target a cash surplus during the year.

Having regard to the above, the Trustees believe it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

c) Basis of consolidation

Consolidated figures for the Institution and group companies (see note 2 to the accounts) have been included in these financial statements for the year ended 31st December 2021. Companies acquired by the group are consolidated on an acquisition basis ie fair values are attributed to the Group's share of the net tangible assets and where the cost of acquisition (being the fair value of the purchase consideration and the expenses of the acquisition) is greater than the fair values attributable to such net assets, the difference is treated as goodwill.

d) Income

Income is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. No amounts are included in these financial statements for the services donated by volunteers.

With the exception of Membership Income, all income is included in the SOFA when the Institution is legally entitled to the income and the amount can be quantified with reasonable accuracy.

Membership subscription income is accounted for on the basis of the amount receivable for the year. Accordingly, the amounts received during the year in relation to future years are deferred. Members who join in the final quarter of the year are not charged subscriptions by the Institution for that year. The annual subscription payment received is treated as relating entirely to the following year and is deferred.

Pecuniary legacies are recognised when probate is in place. Residuary legacies are recognised when probate is granted, a copy of the will has been received to confirm the Institution's entitlement, and there is sufficient information to value them. In practice this is usually when the assets and liabilities statement is received. Reversionary interests involving a life tenant and contentious legacies are not recognised.

Income from contracts for the provision of professional services (Professional Development, Information and Library Services, Apprentice end-point assessment, Venue Hire, Training, Exam Services, Consultancy, Flawed Samples categories) is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. When the outcome cannot be estimated reliably, income is recognised only to the extent of the expenses recognised that are recoverable.

Income from events is recognised on the basis of the amount receivable in the period in which the event takes place. Income from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, the amount can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the entity.

1. ACCOUNTING POLICIES (CONTINUED)

e) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation is calculated so as to write off the cost of fixed assets on a straight line basis at the following rates:

Freehold buildings: Building improvements	→	2% on original purchases, 4% on improvements per annum
Leasehold buildings: Building improvements	→	2% or over the period of the lease if quicker per annum
Furniture and equipment:	→	20% to 33.3% per annum
Plant and equipment:	→	10–20% per annum

Freehold land is not depreciated.

Fixed assets are regularly reviewed to consider whether they have been impaired and to ensure that the depreciation costs reflect their working life. Expenditure below £1,000 is not capitalised except laptops/computers.

f) Goodwill

Goodwill represents the excess of the cost of acquisition of incorporated and unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill shall be considered to have a finite useful life, and shall be amortised on a systematic basis over its economic life of five years.

Where there are indications of impairment, an impairment review is undertaken to assess a recoverable amount, which considers a service potential and not cash flows.

g) Website and Digital Transformation costs

Website costs are capitalised when it is probable that the expected future economic benefits that are attributable will flow to the Group and their costs can be reliably measured. Website and Digital Transformation costs are initially recognised at cost and amortised over the expected useful life of five years.

h) Impairment of tangible and intangible assets

At each reporting end date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1. ACCOUNTING POLICIES (CONTINUED)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in SOFA, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

i) Financial assets

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS102 to all of its financial instruments.

Financial assets are recognised in the company's statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

j) Financial Liabilities

Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Other financial liabilities classified as fair value through profit or loss are measured at fair value.

k) Investments

Listed investments are stated at market value, valued at their bid price, at the balance sheet date.

1. ACCOUNTING POLICIES (CONTINUED)

It is the Group's policy to keep valuations of stock exchange listed investments up to date, such that when investments are sold there is no gain or loss arising relating to prior years. As a result the statement of financial activities does not distinguish between the valuation adjustments relating to sales and those relating to continued holdings, as they are together treated as changes in the value of the investment portfolio throughout the year. Investments not listed on a recognised stock exchange are valued at fair value, unless there is no reliable basis of valuation, in which case they are valued at cost.

Mixed-motive investments
The Institution formed a limited partnership with Stephenson LP in February 2014 to make venture capital investments into a portfolio of companies involved in or associated with young innovative engineering businesses. This investment has a genuine mixed motive because investment is being made both for financial return but also to advance engineering. The investment is held at fair value based on the most recent share sale prices of the underlying investments, less any impairment. If there is objective evidence of impairment, then an immediate impairment loss is recognised in the statement of financial activities.

l) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to Statement of Financial Activities.

m) Expenditure

Expenditure is included in the Statement of Financial Activities on an accruals basis and is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

n) Stocks

Stock classified as finished goods per sale are stated at the lower of cost and net realisable value using FIFO method. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Work-in progress is assessed on an individual basis based on the stage of completion of the contract which is estimated using combination of the milestones in the contract and the time spent to date compared to the total time expected to be required to undertake the contract. Estimates of the total time required to undertake the contracts are made on a regular basis and subject to management review. These estimates may differ from the actual results due to a variety of factors such as efficiency of working, accuracy of assessment of progress to date and client decision making.

See note 15 for the disclosure of the amount of work in progress as at the balance sheet date. Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

o) Retirement benefit

The Charity operates a defined benefit pension scheme which was closed to new members in 2002 and is also closed to future accrual. It also operates a defined contribution scheme open to existing staff.

1. ACCOUNTING POLICIES (CONTINUED)

Defined benefit pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability.

For the defined benefit pension scheme, the current service costs, gains and losses on settlements and curtailments, and administrative costs are charged to expenditure. They are included as part of staff costs. Actuarial gains and losses are recognised immediately in 'Other recognised gains/(losses)'.

For the defined contribution scheme, the amounts charged to expenditure in respect of pension costs and the post-retirement benefits are the contributions payable in the year.

p) Operating leases

Rents payable under operating leases are recognised in the Statement of Financial Activities in the year in which they fall due.

Future commitments under operating leases are disclosed in the notes to the financial statements.

q) Grant commitments

Scholarships are awarded for a period of study, usually three academic years, with the students' progress being assessed on an annual basis.

Expenditure is not accrued beyond each academic year as future payments are subject to a review by the relevant panel which therefore has discretion to terminate the funding agreement in case the performance related conditions are not met.

Prizes are paid in one instalment at the beginning of the academic year, with the exception of scholarships through the Whitworth fund, which are paid in three termly instalments.

Multi-year grants that do not meet the recognition criteria are disclosed as contingent liabilities in the notes to the financial statements.

r) Critical accounting estimates and judgements

In the application of the accounting policies, the Trustees are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. Judgements and estimates are also required for the allocation of support costs to the expenditure headings in the statement of financial activities, as set out in Note 3.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities have been outlined as follows.

1. ACCOUNTING POLICIES (CONTINUED)

Intangible fixed assets
The majority of the cost of intangible fixed assets are based on the capitalisation of both internal and external staff costs. These are allocated to specific projects based on a monthly review of time spent and development output conducted by the Chief Technology Officer, for the charity digital modernisation programme, or the relevant General Manager, for commercial training course development.

An annual review is conducted to assess the carrying value of the projects against future expected economic benefits.

Unlisted investments
The Group makes an estimate of the fair value of unlisted investments based on the last price paid for shares and subject to an impairment review for any material changes in circumstance since the last share sale.

Actuarial assumptions in respect of defined benefit pension schemes
The application of actuarial assumptions relating to defined benefit pension schemes is incorporated in the financial statements in accordance with FRS102. In applying FRS102, advice is taken from independent qualified actuaries. In this context, significant judgement is exercised in a number of areas, including future changes in salaries and inflation, mortality rates and the selection of appropriate discount rates.

Bad debt provision
The Group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtors, the aging profile of debtors and historical experience.

s) Reserves

Unrestricted funds are those available for application against any of the charity's objectives. Restricted funds are those only available for certain purposes defined by the provider of the original funds. Permanent endowment funds are those where the original gift may not be spent, only any income on those funds, which is placed into a related restricted fund. Expendable endowment funds are those where both the income and the original capital may be spent.

t) Taxation

As a charity the Institution is exempt from corporation tax. The tax expense represents the sum of the corporation tax currently payable and deferred tax in the commercial subsidiaries. The companies liabilities for current tax are calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

u) Heritage assets

Heritage assets comprise:
- printed books
- archives
- works of art and artefacts

Additions to heritage assets are made by donation. Reliable and relevant information on the cost of many of the assets is therefore not readily available and there is a lack of comparable market values. As such, none of these assets are recognised in the accounts. Moreover, the Trustees do not consider that a reliable estimate of the fair value can be obtained without incurring costs that would exceed the benefits provided.

2. NET INCOMING RESOURCES

The consolidated results for the Institution are presented in the statement of financial activities. These include the activity of the parent charity, The Institution of Mechanical Engineers, and the activities of its 100% owned subsidiaries, as detailed below. The incoming resources of the Institution alone for 2021 were £16,229k (2020: £15,156k), and resources expended in 2021 were £15,125k (2020: £13,428k).

Other income

	2021	2020
	£'000	£'000
Government grants – furlough scheme	90	394
Sales of consumables	-	5
Profit on the disposal of fixed assets	1	-
	91	399

Subsidiary Companies
Professional Engineering Projects Ltd, a wholly owned subsidiary, registered in England and Wales (Reg N 01103638), was established by the Institution as an organisation from which it could conduct the majority of its publishing activities, including the magazines that are made available to members. Whilst this main trade was disposed of during 2010, the company continues to carry on trading in non-charitable activities, mainly provision of training to engineers.

The company also has four wholly owned subsidiary companies, IMechE Services Ltd (Reg N 01361114), IMechE Fife NDT Limited (Reg N 01917207), Siantonas Ball Ltd (Reg N 01655732), Sonaspection Worldwide Limited (Reg N 04891363), all registered in England and Wales, which carry on non-charitable trading activities. These activities are consolidated on a line by line basis with the relevant amounts described as "Other non-charitable trading activities" under Incoming Resources and Resources Expended in the Consolidated Statement of Financial Activities. Siantonas Ball Ltd became dormant on 1st January 2014.

Sonaspection Worldwide has two wholly owned subsidiary companies, Sonaspection International Limited (Reg N 02050101) registered in England and Wales and Sonaspection Incorporated registered in the United States of America, which carry on non-charitable activities. These activities are consolidated on a line by line basis with the relevant amounts described as "Other non-charitable trading activities" under Incoming Resources and Resources Expended in the Consolidated Statement of Financial Activities.

The whole of the issued share capital of Professional Engineering Projects Ltd (£2) is held by nominees on behalf of the Institution. A summary of the company's consolidated profit and loss account is shown below. Audited accounts are filed with the Registrar of Companies for the individual companies. These figures are subject to the adjustments mentioned above prior to their incorporation in the Consolidated Statement of Financial Activities.

The Whitworth Scholarships Fund, registered charity No. 313756, was established in 1868 under a deed of covenant and trust between Sir Joseph Whitworth and the then President of the Committee of Council on Education. The Fund is now governed under the terms of a Scheme made by the Charity Commissioners for England and Wales dated 11 December 2001, with the Institution of Mechanical Engineers as the controlling entity.

2. NET INCOMING RESOURCES (CONTINUED)

The objects of the Fund are to promote education in all engineering disciplines with a preference for mechanical engineering through the award of scholarships to: suitably qualified applicants to enable them to study engineering, with a preference for mechanical engineering, at any establishment approved by the trustee; and prizes for solutions to real problems encountered in the workplace by engineers following an accredited programme of work-based training.

Subsidiary Companies 2021

	PEP	Sona Intl	Sona Inc	IMechE Fife NDT	IMechE Services	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	3,774	1,716	771	112	–	6,373
Cost of sales	(1,194)	(855)	(422)	(40)	–	(2,511)
Gross profit	**2,580**	**861**	**349**	**72**	**–**	**3,862**
Distribution costs	–	(31)	(28)	–	–	(59)
Administration costs	(2,974)	(600)	(372)	(212)	(3)	(4,161)
Interest payable to the Institution	(108)	–	–	–	–	(108)
Other income	70	-	83	–	–	153
Profit/(loss) on ordinary activities before tax	**(432)**	**230**	**32**	**(140)**	**(3)**	**(313)**
Taxation	82	(27)	–	-	–	55
Dividends payable	–	-		-		-
Total assets	4,091	2,534	523	938	0	8,086
Total liabilities	(7,370)	(503)	(689)	(347)	(21)	(8,930)
Total funds	(3,279)	2,031	(166)	591	(21)	(844)

Subsidiary Companies 2020

	PEP	Sona Intl	Sona Inc	IMechE Fife NDT	IMechE Services	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	2,962	2,702	776	–	–	6,440
Cost of sales	(877)	(1,541)	(915)	–	–	(3,333)
Gross profit	2,085	1,161	(139)	–	–	3,107
Distribution costs	–	(43)	–	–	–	(43)
Administration costs	(3,336)	(702)	(27)	–	(3)	(4,068)
Interest payable to the Institution	(114)	–	–	–	–	(114)
Other income	266	13	–	–	–	279
Dividends receivable	300	–	–	–	–	300
Profit/(loss) on ordinary activities before tax	**(799)**	**429**	**(166)**	**–**	**(3)**	**(539)**
Taxation	39	43	–	–	–	82
Dividends payable	–	(300)				(300)
Profit/(loss) for the year	**(760)**	**172**	**(166)**	**–**	**(3)**	**(757)**
Total assets	4,307	2,201	338	731	74	7,651
Total liabilities	(7,238)	(373)	(534)	–	(96)	(8,241)
Total funds	(2,931)	1,828	(196)	731	(22)	(590)

3. EXPENDITURE

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to that category. For administrative purposes the Institution is divided into a number of directorates and then subdivided into departments. Accounting records permit the costs and revenues of all departments to be determined accurately. The classification of costs in the Consolidated Statement of Financial Activities utilises this information to show expenditure broken-down into broad functional areas. Where costs cannot be directly attributed to a particular heading, they have been allocated to activities on the basis of headcount and floor area

Total expenditure 2021

	Direct Costs	Allocated Support Costs	Total
	£'000	£'000	£'000
Raising Funds			
Non-Charitable Activities	6,051	964	7,015
Investment Management Costs	10	–	10
Charitable Activities			
Marketing and Policy	814	872	1,686
Group, Divisions and Events	2,587	1,782	4,369
Business Development	1,011	1,384	2,395
Apprentice End Point Assessment	1,048	114	1,162
Professional Development	289	474	763
Information and Library Services	475	326	801
Membership Subscriptions	1,064	1,463	2,527
Tenants and Public Facilities	–	400	400
Prizes, Awards and Scholarships	735	–	735
Total resources expended	14,084	7,779	21,863

Total expenditure 2020

	Direct Costs restated	Allocated Support Costs	Total restated
	£'000	£'000	£'000
Raising Funds			
Non-Charitable Activities	6,724	941	7,665
Investment Management Costs	9	–	9
Charitable Activities			
Marketing and Policy	984	785	1,769
Group, Divisions and Events	2,482	1,374	3,856
Business Development	1,117	1,112	2,229
Apprentice End Point Assessment	392	63	455
Professional Development	368	458	826
Information and Library Services	513	274	787
Membership Subscriptions	1,036	1,309	2,345
Tenants and Public Facilities	–	506	506
Prizes, Awards and Scholarships	556	–	556
Total resources expended	14,181	6,822	21,003

3. EXPENDITURE (CONTINUED)

2021

	Governance & Management	Finance	Information Technology	Facilities & Depreciation	Defined Benefit Pension Charge	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Non-Charitable Activities	140	180	300	344	–	964
Marketing	307	78	173	272	42	872
Groups, Divisions and Events	628	159	354	555	86	1,782
Business Development	488	123	275	431	67	1,384
Apprentice End Point Assessment	42	11	24	37	–	114
Professional Development	167	42	94	148	23	474
Information and Library Services	112	28	63	108	15	326
Membership Subscriptions	516	130	291	455	71	1,463
Tenants and Public Facilities	–	–	–	400	–	400
Total	2,400	751	1,574	2,750	304	7,779
Basis of allocation	Headcount	Headcount	Headcount	Floor area	Headcount/ Floor area	

2020

	Governance & Management	Finance	Information Technology	Facilities & Depreciation	Defined Benefit Pension Charge	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Non-Charitable Activities	140	180	272	349	–	941
Marketing	250	96	161	243	35	785
Groups, Divisions and Events	438	169	282	426	59	1,374
Business Development	354	137	228	344	49	1,112
Apprentice End Point Assessment	21	8	13	21	–	63
Professional Development	146	56	94	142	20	458
Information and Library Services	83	32	54	93	12	274
Membership Subscriptions	417	161	268	405	58	1,309
Public Facilities – Birdcage Walk	–	–	–	506	–	506
Total	1,849	839	1,372	2,529	233	6,822
Basis of allocation	Headcount	Headcount	Headcount	Floor area	Headcount/ Floor area	

4. TAXATION

The Institution is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable trust for UK income tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Part 10 Income Tax Act 2007 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. The charity's trading subsidiaries are subject to corporation tax.

5. TRANSACTIONS WITH MEMBERS OF THE TRUSTEE BOARD

Neither the Trustees, nor any person connected with them, receive remuneration.

	2021	2020
	£'000	£'000
Travel and subsistence expenses	3	18
	No.	No.
Number of members reimbursed	2	6

All Trustee costs are reimbursements to Trustees for costs incurred in fulfilling their duties. The 2020 total includes £9k of exceptional subsistence expenses incurred due to the COVID-19 lockdown which were subsequently reclaimed through an Institution insurance policy.

6. INDEMNITY INSURANCE

	2021	2020
	£'000	£'000
Indemnity insurance premiums paid	13	21

During 2021 the Institution paid for three insurance policies, covering professional indemnity, the liabilities of trustees and "directors and officers" liabilities. Cover applies to the Trustee Board, ordinary members involved with Institution affairs and employees, including directors of subsidiary companies.

7. STAFF

	2021	2020
Average numbers of staff employed throughout the year	No.	No.
The Institution of Mechanical Engineers	130	128
Professional Engineering Projects Limited	42	49
Sonaspection International Limited	18	16
Sonaspection Incorporated	6	6
IMechE Fife NDT Limited	4	-
Total employees	200	199

8. EMPLOYMENT COSTS

	2021	2020
	£'000	£'000
Salaries and benefits	8,479	8,567
Employer's social security costs	798	777
Employer's pension costs	467	456
Total employment costs	9,744	9,800

8. EMPLOYMENT COSTS (CONTINUED)

The numbers of employees whose emoluments, excluding employer's pension contributions, exceeded £60,000 are analysed as follows::

	2021	2020
	No.	No.
£60,001–£70,000	15	13
£70,001–£80,000	7	4
£80,001–£90,000	3	5
£90,001–£100,000	3	3
£100,001–£110,000	2	1
£110,001–£120,000	-	1
£130,001–£140,000	1	–
£150,001–£160,000	1	–
£160,001–£170,000	-	1
£180,001–£190,000	–	–
£190,001–£200,000	-	1
Total	32	29

30 of the above employees (2020: 26) are members of the defined contribution scheme and none (2020: nil) are active members of the defined benefit scheme. The Institution contributed £144,456 as employer pension contributions (2020: 152,281) for these members into the defined contribution scheme.

During the year key management received remunerations and benefits of £516,665 (2020: £675,101). The remuneration of key management consists of salary, pension contributions and benefits in kind.

Number of Directors in 2021: 4 (2020: 4)

Highest paid director – Sean Fox (2020: Dr Colin Brown)

	2021	2020
	£'000	£'000
Salary	137	159
Benefits	21	26
Bonus	-	12
Total	**158**	**197**

The charity designated four directors as key management personnel.

4 employees were made redundant during the year (2020: 10). The cost of redundancies of £103,181 was paid during 2021 (2020: £154,458). Included within costs were ex-gratia costs of £31,451 payable to 4 people (2020: £54,671 to 7 people).

9. AUDITOR'S REMUNERATION

	2021 £'000	2020 £'000
Fees for the audit of these financial statements	75	45
Fees for the audit of other group companies	32	27
Fees in relation to the prior year audit	75	–
Total	182	72

10. PENSIONS

The Institution operates a defined benefit scheme. A full actuarial valuation was carried out and updated to 31 December 2021, by a qualified independent company of actuaries. The major assumptions used by the actuary are detailed within this note to the financial statements. The scheme was closed to new members with an effective date of 5 September 2002, and is closed to future accrual.

A defined contribution pension plan has been established for employees who are not eligible to join the defined benefit pension scheme. The Institution has agreed to match employee contributions to the defined contribution plan up to a maximum of 10% of salary. There is an outstanding contribution at the end of the financial year of £102,388 (2020: £90,184).

The pension cost charge for the period represents contributions payable by the Institution to the defined contribution pension plan and amounted to £410,000 (2020: £411,000).

Assumptions

	2021 %	2020 %
Price inflation, (RPI)	3.10	3.00
Price inflation (CPI)	2.70	2.50
Pension increases	2.70	2.50
Salary increases	3.60	3.50
Return on assets	*	*
Discount rate	1.80	1.30

Mortality assumptions used in 2020 and 2021 are based upon the S3PxA tables adjusted to reflect the broad wealth characteristics of each member. Future improvements are assumed to be in line with the CMI projection model, assuming improvements have peaked. The long term improvement is assumed to be 1.25% p.a. (2020: 1.25% p.a.), declining at older ages.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting people within the following age groups to live for a number of years as follows:

	2021	2020
Male currently age 40–45	88.3	88.8
Female currently age 40–45	91.0	91.2
Male currently age 65	87.0	87.4
Female currently age 65	89.5	89.7

10. PENSIONS (CONTINUED)

Movements in present value of defined benefit obligation

	2021	2020
	£'000	£'000
At 1 January	68,016	58,644
Current service cost	180	180
Interest cost	873	1,215
Actuarial (gains)/losses	(6,621)	9,767
Benefits and expenses paid	(1,932)	(1,790)
At 31 December	60,516	68,016

Movements in fair value of plan assets

	2021	2020
	£'000	£'000
At 1 January	58,484	56,016
Interest on assets	750	1,162
Employer Contributions	410	410
Return on plan asset less interest	4,725	2,686
Benefits and expenses paid	(1,932)	(1,790)
At 31 December	62,437	58,484

Analysis of Amount Credited/(Charged) in SOFA

	2021	2020
	£'000	£'000
	(180)	(180)
Current service cost	(180)	(180)

Analysis of Pension Finance (Cost) / Income in SOFA

	2021	2020
	£'000	£'000
Interest on obligation	(873)	(1,215)
Interest on scheme assets	750	1,162
Net cost	(123)	(53)
Amount (Charged)**/Credited to SOFA** (Total operating charge less net return)	(303)	(233)

Sensitivity of the value placed on the liabilities

Adjustments to assumptions	Approximate effect on liabilities
Discount rate decreased by 0.5% p.a.	+£5,546,000
Inflation increased by 0.5% p.a.	+£2,539,000
Long term rate of mortality improvement increased to 1.5% p.a.	+£681,000

10. PENSIONS (CONTINUED)

Analysis of Gains / (Losses) Recognised in SOFA

	2021 £'000	2020 £'000
Actuarial gains/(losses) on pension scheme assets	4,725	2,686
Change in impact of asset ceiling	(1,921)	–
Actuarial (losses)/gains on obligation	6,621	(9,767)
Actuarial (loss)/gain in Pension Scheme	9,425	(7,081)
Actuarial (loss)/gain in pension plan recognised in SOFA	9,425	(7,081)

Movement in Deficit During Year

	2021 £'000	2020 £'000
Deficit in scheme at 1 January	(9,532)	(2,628)
Current service cost	(180)	(180)
Employer contributions	410	410
Net return	(123)	(53)
Actuarial gain/(loss)	9,425	(7,081)
Deficit in scheme at 31 December	-	(9,532)

History of Experience Gains and Losses

	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Experience adjustments on scheme asset	4,725	2,686	4,947	(4,046)	3,251
Present value of scheme assets	62,437	58,484	56,016	51,174	56,248
Experience adjustment on scheme liabilities	6,621	(9,767)	(5,859)	1,981	(988)
Present value of scheme liabilities	60,516	68,016	58,644	53,069	56,020
Deficit/surplus in scheme	-	(9,532)	(2,628)	(1,895)	-

The deficit shown in the accounts reflects the methodology and assumptions required to be used for accounting purposes.

The Company expects to contribute approximately £500,000 to its defined benefit plans in the next financial year.

11. FIXED ASSETS – INTANGIBLE ASSETS

Group	Goodwill	Website & DM costs	Total
	£'000	£'000	£'000
Cost			
At 1 January 2021	5,232	4,699	9,931
Additions	-	1,030	1,030
Disposals	–	(24)	(24)
At 31 December 2021	5,232	5,705	10,937
Amortisation			
At 1 January 2021	5,232	1,089	6,321
Amortisation charged	–	863	863
Disposals		(24)	(24)
Impairment		247	247
At 31 December 2021	5,232	2,175	7,407
Net Book Value			
At 31 December 2021	–	3,530	3,530
At 1 January 2021	–	3,610	3,610

Institution	Website & DM costs	Total
	£'000	£'000
Cost		
At 1 January 2021	4,422	4,422
Additions	938	938
At 31 December 2021	5,360	5,360
Amortisation		
At 1 January 2021	975	975
Amortisation charged	816	816
Impairment	247	247
At 31 December 2021	2,038	2,038
Net Book Value		
At 31 December 2021	3,322	3,322
At 1 January 2021	3,447	3,447

Website and Digital Modernisation Programme, Platform costs

The intangible assets for the Institution are represented by Website and Digital Modernisation (DM) costs. The website development was completed in March 2016 and began being amortised from April, with further expenditure on upgrades in 2021. The DM projects started to come into use during 2019 although there are significant amounts still in development. Both website and DM costs were purchased and developed by the Institution.

12. FIXED ASSETS – TANGIBLE ASSETS

	Land & Property	Furniture & Equipment	Total
	£'000	£'000	£'000
Group cost			
At 1 January 2021	10,706	2,052	12,758
Additions	83	283	366
Disposals/movements	-	(11)	(11)
At 31 December 2021	10,789	2,324	13,113
Depreciation			
At 1 January 2021	4,673	1,388	6,061
Disposals/write-off	-	(8)	(8)
Amount charged	430	332	762
At 31 December 2021	5,103	1,712	6,815
Net Book Value			
At 31 December 2021	5,686	612	6,298
At 1 January 2021	6,033	664	6,697

	Land & Property	Furniture & Equipment	Total
	£'000	£'000	£'000
Institution cost			
At 1 January 2021	10,271	966	11,237
Additions	76	102	178
Disposals/movements	-	-	-
At 31 December 2021	10,347	1,068	11,415
Depreciation			
At 1 January 2021	4,646	672	5,318
Disposals/movements	-	-	-
Amount charged	382	199	581
At 31 December 2021	5,028	871	5,899
Net Book Value			
At 31 December 2021	5,319	197	5,516
At 1 January 2021	5,625	294	5,919

The Institution's head office at One Birdcage Walk is included in Land and Property above at its depreciated historical cost. The Trustees believe that its open market value is significantly in excess of this historical cost based on carrying value. The Institution owns the freehold of One Birdcage Walk and its head office. Whilst part of the building is let out to third parties, the entire property is accounted for within tangible fixed assets at cost less depreciation as the areas rented cannot be separately disposed.

12. FIXED ASSETS – TANGIBLE ASSETS (CONTINUED)

Heritage assets

The Institution holds a collection of heritage assets which relate to the history of the Institution itself and the wider history of mechanical engineering as well as a specialist engineering library collection.

The collection is broadly split into the following categories:

Printed works: The Institution has the one of the strongest specialist engineering libraries in the UK, holding unparalleled physical collections relating to mechanical engineering and comprising over 90,000 titles. These range from very early works such as Theatrum instrumentorum et machinarum, published in 1578, to extensive scarce nineteenth- and early twentieth-century works to current reference works and British Standards. Subjects covered include fluid mechanics, tribology, combustion engines, automotive engineering, environment and emissions, risk and reliability, energy, machine tools and pressure vessels.

Archives: The archive collection dates from 1726 and is comprised of documents, volumes, engineering drawings, digital files and an extensive photographic collection relating to engineers, engineering firms and engineering products. The collection also includes the business and administrative records of the Institution of Mechanical Engineers as well as the Institution of Locomotive Engineers and the Institution of Automobile Engineers.

Works of art and artefacts: The collection is comprised of over 50 portraits and busts of prominent engineers including many former Presidents of the Institution and over 100 artefacts including models, instruments and personal items of engineers.

The Institution's collections are managed by the Information and Library Service according to the relevant professional standards for each format of material. Expenditure which in the Trustees' view is required to preserve or clearly prevent deterioration of individual collection items is recognised in the income and expenditure account when it is incurred.

There have been 3 donations made in 2021 (2020:1). No further additions or disposals of heritage assets were made in the last 2 years.

13. INVESTMENTS – MIXED MOTIVE

	Cost	2021 Market Value	Cost	2020 Market Value
	£'000	£'000	£'000	£'000
Group and Institution				
Analysis of Investments – UK				
Stephenson LLP	1,843	2,908	1,808	2,697

	2021 £'000	2020 £'000
Movement of Investments		
Market value at 1 January	2,679	3,397
Acquisitions	35	43
Net investment (loss)/gain	193	(761)
Market value at 31 December	2,907	2,679
Unrealised investment gain at 31 December	1,054	861

14. FIXED ASSETS – INVESTMENTS

	Cost	2021 Market Value	Cost	2020 Market Value
	£'000	£'000	£'000	£'000
Group				
Analysis of Investments – UK				
Fixed Interest Unit Trusts	170	599	170	642
Equities Unit Trusts	1,312	6,542	1,312	5,903
Charities Official Inv. Fund Income Units	1,066	3,502	1,066	3,067
Cash	41	41	53	53
Property – let on 999 year lease	9	9	9	9
	2,598	10,693	2,610	9,674
Multi-Asset Funds	7,815	9,183	7,818	8,636
Total Investments	10,413	19,876	10,428	18,310

Analysis of Funds and Ranges	Cost	2021 Market Value	Cost	2020 Market Value
Reserve Fund – Unrestricted				
Free range	3,028	3,470	3,034	3,270
Whitworth Scholarships Fund				
Restricted	819	2,942	819	2,691
Endowment	663	4,198	663	3,853
	1,482	7,140	1,482	6,544
General Trust				
Wider range	3,378	4,055	3,384	3,819
James Clayton				
Wider range	1,450	1,699	1,453	1,600
Special – property	9	9	9	9
	1,460	1,709	1,462	1,609
Education and Research				
Charities Official Inv. Fund Income Units	829	2,697	829	2,362
Sundry Small Trusts				
Charities Official Inv. Fund Income Units	237	806	237	706
	10,413	19,876	10,428	18,310

The above figures refer to investments held by the Group, the figures for the Institution exclude the investments held by the Whitworth Scholarships Fund.

The investments of the Reserve Fund, General Trust and James Clayton Trust are managed by Schroder & Co Ltd. Investments of the Whitworth Scholarships Fund are managed by Blackrock Investment Management (UK) Ltd. The let property is part of the James Clayton Trust Fund and was included as part of assets left to the Institution in the will of the late James Clayton. A summary of the investment powers can be found in the Administrative Details section.

The carrying value of investments in subsidiaries amounted to £2.

14. FIXED ASSETS – INVESTMENTS (CONTINUED)

Movement of investments	2021 £'000	2020 £'000
Market value at 1 January	18,257	18,356
Sales proceeds	(3)	(118)
Net investment gain/(loss)	1,581	19
Market value (excluding cash) at 31 December	19,835	18,257
Cash awaiting investment	41	53
Total market value at 31 December	19,876	18,310
Historic cost at 31 December	(10,413)	(10,428)
Unrealised investment gain at 31 December	9,463	7,882

Interest & Dividends	2021 £'000	2020 £'000
Dividends receivable from unit trusts	637	634

All the dividend and loan stock interest arises from the investments detailed above.

15. STOCKS

Group only	2021 £'000	2020 £'000
Work in progress	128	28
Finished goods and goods for resale	118	100
	246	128

16. DEBTORS

	Group		Institution	
Amount due within 1 year:	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade debtors	2,169	1,254	523	489
Other debtors incl VAT, other taxes	206	358	171	352
Prepayments and accrued income	800	944	642	734
Amounts due from group companies	–	–	896	738
	3,175	2,556	2,232	2,313
Amount due after more than 1 year: Loans due from group companies	–	–	5,121	5,121
	3,175	2,556	7,353	7,434

Loans from group companies are charged interest at a rate of 2% above the National Westminster Bank base rate.

The loan was provided to Professional Engineering Projects Limited to permanently fund the acquisitions of the trading companies acquired between 2011 and 2015. It is repayable on 53 weeks notice or by any net proceeds of the sale of the acquired companies.

17. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Institution	
	2021	2020 restated	2021	2020
	£'000	£'000	£'000	£'000
Trade creditors	902	882	594	739
Other creditors	155	297	156	212
Accruals	1,645	1,047	1,202	686
Bank loan	17	-	-	-
Grants payable	169	158	-	-
Taxation and social security	308	227	241	227
	3,196	2,611	2,193	1,864
Deferred income	4,814	4,706	4,267	4,314
Total Creditors	8,010	7,317	6,460	6,178

Deferred income represents the value of membership subscriptions, property rents, contract income, and event income received in respect of the next calendar year.

Reconciliation of deferred income

	Group		Institution	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Balance at 1 January	4,706	5,483	4,314	4,635
Amount released to income	(4,706)	(5,483)	(4,314)	(4,635)
Amount deferred in the year	4,814	4,706	4,267	4,314
Balance at 31 December	4,814	4,706	4,267	4,314

18. CREDITORS – AMOUNTS FALLING DUE GREATER THAN ONE YEAR

	2021	2020
	£'000	£'000
Bank loan	83	-

The bank loan was issued under the COVID-19 'Bounce-back' scheme in January 2021. There is no interest and no repayments in the first 12 months and the loan then bears interest at 2.5% and is repayable over a five year period.

19. OPERATING LEASE COMMITMENTS

The operating lease charges represent leasehold leases from 3rd parties. The leases are negotiated over terms of 10 years and rentals are fixed for two years. All leases include a provision for five-yearly upward rent reviews according to prevailing market conditions. Next rent review is 2024. The total of future minimum lease payments under non-cancellable operating leases for each of the following periods is:

	2021	2020
	£'000	£'000
Within one year	109	71
Between one and five years	482	296
Over five years	311	268

20. GRANT COMMITMENTS

These sums have been provisionally approved as grants to be made to current scholars for completion of their studies. Because the Trustee has further actions to take on them before releasing for payment, they have not been recognised in this year's accounts. No discounting has been applied to grant commitments due in more than one year.

This disclosure was incorrectly excluded from the 2020 financial statements. Comparative amounts for 2020 have been restated accordingly.

	Group		Institution	
	2021	2020 Restated	2021	2020 Restated
	£'000	£'000	£'000	£'000
Scholarship commitments due within one year	159	137	91	76
Scholarship commitments due after more than one year	458	456	76	69
Total scholarship commitments	**617**	**593**	**167**	**145**

21. ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

Group	Unrestricted £'000	Endowment £'000	Restricted £'000	2021 Total £'000
Fund balances at 31 December 2021 are represented by:				
Intangible fixed assets	3,530	–	–	3,530
Tangible fixed assets	6,298	–	–	6,298
Investments: listed	3,389	13,438	3,049	19,876
Investments: social	2,908	–	–	2,908
Current assets and liabilities	3,674	(1,596)	543	2,621
Non-current liabilities	(83)	-	-	(83)
	19,716	**11,842**	**3,592**	**35,150**

	Unrestricted £'000	Endowment £'000	Restricted Restated £'000	2020 Total £'000
Fund balances at 31 December 2020 are represented by:				
Intangible fixed assets	3,610	–	–	3,610
Tangible fixed assets	6,697	–	–	6,697
Investments: listed	3,273	12,313	2,724	18,310
Investments: social	2,679	–	–	2,679
Current assets and liabilities	2,277	(1,596)	765	1,446
Defined benefit pension scheme liability	(9,532)	–	–	(9,532)
	9,004	**10,717**	**3,489**	**23,210**

Institution	Unrestricted £'000	Endowment £'000	Restricted £'000	2021 Total £'000
Fund balances at 31 December 2021 are represented by:				
Intangible fixed assets	3,322	–	–	3,322
Tangible fixed assets	5,516	–	–	5,516
Investments: listed	3,389	9,240	107	12,736
Investments: social	2,908	–	–	2,908
Current assets and liabilities	8,513	(1,596)	595	7,512
Defined benefit pension scheme liability	-	–	–	-
	23,648	**7,644**	**702**	**31,994**

	Unrestricted £'000	Endowment £'000	Restricted £'000	2020 Total £'000
Fund balances at 31 December 2020 are represented by:				
Intangible fixed assets	3,447	–	–	3,447
Tangible fixed assets	5,919	–	–	5,919
Investments: listed	3,273	8,460	33	11,766
Investments: social	2,679	–	–	2,679
Current assets and liabilities	6,850	(1,596)	753	6,007
Defined benefit pension scheme liability	(9,532)	–	–	(9,532)
	12,636	**6,864**	**786**	**20,286**

22. CAPITAL AND INCOME FUNDS – ANALYSIS

Provided below is an analysis of the various funds included in these financial statements:

	Balance 01.01.2021 as reported	Prior year adjustment	Balance 01.01.2021 restated	Incoming Resources	Resources Expended	Gains & (Losses)	Balance 31.12.2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Group							
Unrestricted Funds							
Institution, Reserve Fund and PEP Ltd	9,004	-	9,004	22,090	(21,202)	9,824	19,716
Restricted Funds							
Whitworth Scholarships Fund	2,861	(158)	2,703	208	(273)	252	2,890
General Trust (includes legacy)	16	-	16	151	(167)	–	0
James Clayton Trust	105	-	105	63	(100)	_	68
Trust for Education and Research	390	-	390	69	(95)	–	364
Sundry small trusts	275	-	275	21	(26)	–	270
	3,647	(158)	3,489	512	(661)	252	3,592
Endowment Funds							
Whitworth Scholarships Fund	3,853	-	3,853	–	–	345	4,198
General Trust	2,725	-	2,725	–	–	243	2,968
James Clayton Trust	1,534	-	1,534	–	–	102	1,636
Trust for Education & Research	2,095	-	2,095	–	–	335	2,430
Sundry small trusts	510	-	510	–	–	100	610
	10,717	-	10,717	–	–	1,125	11,842
Total Funds	**23,368**	**(158)**	**23,210**	**22,602**	**(21,863)**	**11,201**	**35,150**

	Balance 01.01.2021	Incoming Resources	Resources Expended	Gains & (Losses)	Balance 31.12.2021
	£'000	£'000	£'000	£'000	£'000
Institution					
Unrestricted Funds					
Institution, Reserve Fund	12,636	15,925	(14,737)	9,824	23,648
Restricted Funds					
General Trust (includes legacy)	16	151	(167)	–	-
James Clayton Trust	105	63	(100)	–	68
Trust for Education & Research	390	69	(95)	–	364
Sundry small trusts	275	21	(26)	–	270
	786	304	(388)	–	702
Endowment Funds					
General Trust	2,725	–	–	243	2,968
James Clayton Trust	1,534	–	–	102	1,636
Trust for Education & Research	2,095	–	–	335	2,430
Sundry small trusts	510	–	–	100	610
	6,864	–	–	780	7,644
Total Funds	**20,286**	**16,229**	**(15,125)**	**10,604**	**31,994**

22. CAPITAL AND INCOME FUNDS – ANALYSIS (CONTINUED)

The restricted and endowment funds mainly comprise a number of trusts established by deed, holding resources set aside to provide prizes and awards to recognise achievement and generally foster progress in mechanical engineering. The restricted funds represent the income and expenditure of each trust and the endowment funds the capital held to generate investment income. The Trustee Board acts as sole corporate trustee. The majority of the funds held originate from legacies and lifetime gifts donated to commemorate the achievements of prominent engineers. The General Trust and Trust for Education and Research were established with the agreement of the Charity Commissioners to aggregate the resources of a large number of smaller trusts with similar aims. The James Clayton Trust and some smaller trusts (for reasons of convenience totalled in the sundry category above) have more specific objectives and could not be included in the two main trusts. The Whitworth Scholarships Fund was originally established in 1868, with the trusteeship being transferred from the UK Government in December 2001.

	Balance 01.01.2020 as reported	Prior year adjustment	Balance 01.01.2020 restated	Incoming Resources	Resources Expended	Gains & (Losses)	Balance 31.12.2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Group							
Unrestricted Funds							
Institution, Reserve Fund & PEP Ltd	15,808	-	15,808	21,434	(20,494)	(7,744)	9,004
Restricted Funds							
Whitworth Scholarships Fund	3,051	(136)	2,915	187	(230)	(169)	2,703
General Trust (includes legacy)	-	-	-	155	(139)	–	16
James Clayton Trust	89	-	89	65	(49)	_	105
Trust for Education & Research	406	-	406	68	(84)	–	390
Sundry small trusts	262	-	262	20	(7)	–	275
	3,808	(136)	3,672	495	(509)	(169)	3,489
Endowment Funds							
Whitworth Scholarships Fund	4,087	-	4,087	–	–	(234)	3,853
General Trust	2,629	-	2,629	–	–	96	2,725
James Clayton Trust	1,490	-	1,490	–	–	44	1,534
Trust for Education & Research	1,953	-	1,953	–	–	142	2,095
Sundry small trusts	468	-	468	–	–	42	510
	10,627	-	10,627	–	–	90	10,717
Total Funds	**30,243**	**(136)**	**30,107**	**21,929**	**(21,003)**	**(7,823)**	**23,210**

22. CAPITAL AND INCOME FUNDS – ANALYSIS (CONTINUED)

	Balance 01.01.2020	Incoming Resources	Resources Expended	Gains & (Losses)	Balance 31.12.2020
	£'000	£'000	£'000	£'000	£'000
Institution					
Unrestricted Funds					
Institution, Reserve Fund	18,681	14,848	(13,149)	(7,744)	12,636
Restricted Funds					
General Trust (includes legacy)	-	155	(139)	–	16
James Clayton Trust	89	65	(49)	–	105
Trust for Education & Research	406	68	(84)	–	390
Sundry small trusts	262	20	(7)	–	275
	757	308	(279)	–	786
Endowment Funds					
General Trust	2,629	–	–	96	2,725
James Clayton Trust	1,490	–	–	44	1,534
Trust for Education & Research	1,953	–	–	142	2,095
Sundry small trusts	468	–	–	42	510
	6,540	–	–	324	6,864
Total Funds	25,978	15,156	(13,428)	(7,420)	20,286

23. TRUST AND PRIZE FUND INDIVIDUAL ACCOUNTS

General Trust
Benefactors comprise

James Bates
Thomas Bernard Hall
Horace Bedford
Herbert Edward Hancocke
Charles Sharpe Beecher
Francis Hewlett
William Bennett
Lord Hinton of Bankside
Joseph Bramah
Shirley Nelson Howe
T H Carr
Robert Herbert Innes
Thomas Andrew Common
Kenneth Harris James
Gresham Cooke
Anne Labrow
Winifred Smart Crabtree
Olive Mary Main
George Curry
Ernest William Moss
Bernard Incledon Day
The Reactionaries
Bryan Donkin
Charles Howard Readman
H V Disney
William Sweet Smith
A H Duncan
A M Strickland
Christian Peter Dunkel
Clifford S Steadman
John Edward Elliott
Thomas Stephen
James Moir Forbes
Thatcher Bros.
Sir Hugh Ford
Fredrick Barnes Waldron
Winifred Foreman
Edwin Walker
Andrew Fraser
Neil Watson
Thomas Lowe Gray
Viscount Weir
Donald Julius Groen
Frau May Borner Wylie

Trust for Education and Research
Benefactors and Predecessor Trusts comprise

John F Alcock Memorial Prize
Carl Louis Breedon
Henry Stacey Cattermole
Engineering Applied to Agriculture
Filtration
M M Flatman
Thomas Hawksley
Hele-Shaw National Certificate
Mrs P M Lowery
Manville Bequest Scholarship
E May
Ludwig Mond
F G Moore
Arthur Morley Higher National Diploma
John Player Lectureship
Raymond Coleman Prescott Scholarship
Meritorious
Alastair Graham-Bryce
Frank Radcliffe
Alfred Rosling Bennett Premium
Clarence Noel Goodall
Charles S Lake
Rover Midlander
T A Stewart Dyer
Fredrick Harvey Trevithick
Sir Seymour Briscoe Tritton
Stanley Herbert Whitelegg
Safety Award in Mech. Engineering
Starley Premium
George Stephenson Research
Herbert Ackroyd Stuart
The Students Aid
Water Arbitration
Willans Premium
William Alexander Agnew
L Marson
Margaret Winifred Astridge

The above trust funds are under the trusteeship of the Institution of Mechanical Engineers. Because of the limited space available, the information presented is, of necessity, brief. If you would like more details, please contact the Secretary to the Trustee Board Awards Committee.

24. RELATED PARTY TRANSACTIONS

	2021	2020
	£'000	£'000
Institution		
Amounts due from/(to) Professional Engineering Projects Limited	726	574
Amounts due from/(to) IMechE Services Limited	18	94
Amounts due from/(to) Sonaspection International Limited	40	70
Amounts due from/(to) IMechE	113	-
Loan due from Professional Engineering Projects Limited	5,121	5,121
All amounts are considered to be repayable on demand during the year except the loan due from Professional Engineering Projects Limited, which has a 53 week notice period for repayment		
Transactions with Professional Engineering Projects Limited	(19)	22
Transactions with IMechE Services Limited	-	(1)
Transactions with Sonaspection International Limited	-	70
Professional Engineering Projects Limited		
Amounts due from/(to) Siantonas Ball Limited	(223)	(233)
Amounts due from/(to)IMechE Fife NDT Limited	(731)	(731)

Helena Rivers, originally elected as a Trustee on 24 May 2017, is also a director at AECOM. The Institution has charged a fee to AECOM for MPDS accreditation visits for a number of years now. Fees charged were £500 for the year ended 31 December 2021 (2020: £500). There was no balance outstanding as at 31 December 2021 (31 December 2020: nil).

Neil Kelly is a Director of Sonaspection International Limited appointed on 29th June 2020, whose close related family member is the owner of Kelly Contracting. Kelly Contracting provide electrical material and labour and have been providing a service for a number of years. Kelly Contracting charged £4,781 during the year to 31 December 2021 (2020: £4,246). There was no balance outstanding as at 31 December 2021 (31 December 2020: £21).

25. RECONCILIATION OF NET INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2021	2020 restated
	£'000	£'000
Net income for the reporting period (as per the statement of financial activities)	2,515	184
Adjustments for:		
(Gain)/loss on disposal of tangible fixed assets	(1)	58
Amortisation	863	576
Impairment loss	247	-
Depreciation charges	762	818
Dividends and interest	(637)	(634)
(Increase) /decrease in debtors	(619)	910
Increase / (decrease) in creditors	676	(1,041)
(Increase)/decrease in stocks	(118)	317
(Gain)/losses on investments	(1,776)	742
Net cash provided by operating activities before pension scheme costs	1,912	1,930
Increase in Defined benefit pension scheme costs	(107)	(177)
Net cash provided by operating activities	1,805	1,753

26. FINANCIAL INSTRUMENTS

	Group		Institution	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Financial assets measured at amortised cost	9,760	7,979	8,264	6,216
Financial liabilities measured at amortised cost	2,802	2,226	1,951	2,550
Financial assets measured at fair value	19,875	20,989	12,735	14,445

27. CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES 2020

	Notes	Unrestricted Funds	Restricted Funds Restated	Endowment Funds	**2020 restated** Total	**2019** Total
Income and Endowments from:		£'000	£'000	£'000	£'000	£'000
Donations and Legacies		72	–	–	72	17
Charitable Activities						
Membership Subscriptions		12,468	–	–	12,468	12,416
Groups, Divisions and Events		578	–	–	578	2,088
Professional Development		205	–	–	205	212
Information and Library Services		4	–	–	4	–
Apprentice End Point Assessment		411	–	–	411	199
Other trading activities						
Venue Hire, Training, Learning and Development		6,461	–	–	6,461	9,760
Investments						
Interest and Dividends	14	139	495	–	634	613
Other						
Other Income	2	399	–	–	399	1,885
Rents Receivable		697	–	–	697	743
Total		21,434	495	–	21,929	27,933
Expenditure on:						
Raising funds						
Non-charitable Trading Activities		7,665	–	–	7,665	9,720
Investment Management Costs		–	9	–	9	9
Charitable Activities						
Groups, Divisions and Events		3,856	–	–	3,856	1,774
Marketing		1,769	–	–	1,769	5,551
Business Development		2,229	–	–	2,229	2,173
Apprentice End Point Assessment		455	–	–	455	298
Professional Development		826	–	–	826	1,173
Information and Library Services		787	–	–	787	759
Membership Subscriptions		2,345	–	–	2,345	2,750
Tenants and Public Facilities		506	–	–	506	502
Prizes, Awards and Scholarships		56	500	–	556	624
Total	3	20,494	509	–	21,003	25,333
Net gains/(losses) on investment assets	13/14	(663)	(169)	90	(742)	2,308
Net income/(expenditure)		277	(183)	90	184	4,908
Other recognised gains/(losses)						
Actuarial gains/(losses) on defined benefit pension scheme	10	(7,081)	–	–	(7,081)	(912)
Net movement in funds		**(6,804)**	**(183)**	**90**	**(6,897)**	**3,996**
Reconciliation of funds						
Total funds brought forward, as previously stated	20	15,808	3,808	10,627	30,243	26,247
Opening balance adjustment		-	(136)	-	(136)	-
Total funds brought forward, as restated		15,808	3,672	10,627	30,107	26,247
Total funds carried forward	**18**	**9,004**	**3,489**	**10,717**	**23,310**	**30,243**

The note references above relate to those of the consolidated Statement of Financial Activities 2020 as issued last year.

28. PRIOR PERIOD ADJUSTMENT

Scholarships awarded by the Whitworth Scholarships Fund cover a period of study, usually three years, with a performance review required at the end of each academic year. In prior periods, we have not accrued for scholarships awarded for the academic year not yet paid at year-end. We have restated prior period creditor and fund balances accordingly. The disclosure relating to the restatement of fund balances has been included in Note 22.

Restatement of creditors (group)

	2021	2020
	£'000	£'000
Accrual for grants payable within year, as previously reported	-	-
Accrual for grants payable within one year, as restated	158	136

ADMINISTRATIVE DETAILS

Name
The Institution of Mechanical Engineers

Address of principal office
1 Birdcage Walk, Westminster, London, SW1H 9JJ

Charity registration numbers
Charity Commission of England & Wales: The Institution and subsidiary prize and award funds are registered under 206882. The Whitworth Scholarship Funds are registered under 313756.

Office of Scottish Charity Regulator: The Institution is registered under SCO51227.

Governing document and constitution

The Institution was founded in 1847 and was incorporated by Royal Charter in 1930. Digital copies of the Royal Charter and By-Laws are available from the Corporate Governance team via governance@imeche.org.

Trustees

The Trustee Board comprises the President, President-Elect, four Vice-Presidents, an International Vice-President and five or more ordinary members. All Trustees are elected by the Corporate and Associate Membership of the Institution.

Trustees are required to retire after a maximum of 3 years in post.

Trustees met 9 times for Board Meetings supported by the Executive team during 2021 (2020: 8). In addition to the 9 main Trustee Board meetings, the Trustees also met on 7 other separate occasions in 2021 to discuss specific issues.

The names of those who served as Trustees during the year and at the date of approval of this document are as follows:

	Number of meetings attended	Number of meetings in session
H A Clarke (due to retire 24 May 2023)	8	9
R C East (retired 26 May 2021)	4	4
B M Eickhoff (elected 26 May 2021, due to retire 22 May 2024)	5	5
P Flinn (retires 25 May 2022)	9	9
M P J Garside (due to retire 25 May 2022)	7	9
G S Hartill (re-elected 26 May 2021, due to retire 22 May 2024)	9	9
R G Hodgkinson (due to retire 25 May 2022)	9	9
Dr R C B Judge (appointed 28 July 2021, due to retire 25 May 2022)	4	4
Professor D Nowell (due to retire 25 May 2022)	9	9
R M O'Brien (due to retire 24 May 2023)	7	9
P J Peel (due to retire 24 May 2023)	9	9
V Raman (due to retire 24 May 2023)	9	9
H C Rivers (due to retire 24 May 2023)	9	9
T Spall (retired 26 May 2021)	4	4

Elected' and 'retired' relate to the normal transition of Trustees at the beginning and end of their periods of elected office. 'Appointed' and 'resigned' relate to other changes outside this normal process.

Chief Executive:

Dr Alice Bunn

Key Management Personnel:

This includes the Chief Executive and three directors:

Finance and Commercial Director – Sean Fox

Human Resources Director – Bims Alalade

Membership Operations Director – Joanna Horton

Professional advisers

Auditor:

BDO LLP, Baker Street, London W1U 7EU

Bankers:

National Westminster Bank PLC, PO Box 113, Cavell House,
2A Charing Cross Road London, WC2H 0PD
CAF Bank Ltd, 25 Kings Hill Avenue, Kings Hill, West Malling, Kent ME19 4JQ

Investment managers:

Schroder & Co Limited, 12 Moorgate, London, EC2R 6DA
Blackrock Investment Management (UK) Limited, 33 King William Street,
London EC4R 9AS
CCLA Investment Management Limited, 80 Cheapside, London, EC2V 6DZ

Solicitors:

Mills & Reeve LLP, Botanic House, 1 Hills Road, Cambridge CB2 1PH
Bristows, 100 Victoria Embankment London, EC4Y 0DH

Pension advisers:

Barnett Waddingham LLP, Decimal Place, Chiltern Avenue, Amersham HP6 5FG
Lane, Clark & Peacock LLP, 95 Wigmore Street, London, W1U 1DQ

“”

22 STEM at Home activities in our range alongside 5 STEM Ambassador training sessions.



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Institution of Mechanical Engineers

1 Birdcage Walk
Westminster
London SW1H 9JJ

T +44 (0)20 7973 1293
F +44 (0)20 7222 8553

media@imeche.org
imeche.org

THE INSTITUTION OF MECHANICAL ENGINEERS

England & Wales - Charity number 206882

Accounts

TRUSTEE BOARD'S REPORT AND ANNUAL ACCOUNTS.

Institution of MECHANICAL ENGINEERS

Year Ended 31 December 2020



Improving the world through engineering

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The Institution of Mechanical Engineers
Incorporated by Royal Charter 1930
Registered Charity No: 206882

imeche.org



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I am very grateful to the many Institution members who have actively contributed to the fight against COVID in so many ways.

PRESIDENT'S STATEMENT

2020 has been a challenging but successful year for the Institution. As well as navigating our way through the COVID-19 pandemic and learning to operate effectively in a virtual world, we have also been very busy transforming our governance structures through the implementation of the recommendations of the Governance Review undertaken in 2019. I am very grateful to the many Institution members who have actively contributed to the fight against COVID in so many ways; identifying engineering solutions to save lives and mitigate the impact of the virus. This has brought together member expertise from across the globe, in a manner we haven't really seen before and resulted in the creation of a COVID Task Force within the Institution.

Despite COVID, great progress has been made on many fronts and I am especially pleased to report that we are now approaching the end of our governance transformation. The changes made have been extensive and have involved our Council, Boards and Committees and many of our members and staff to engage and work together to determine optimum solutions. Under the leadership of Dr Kerry Mashford OBE, the Implementation Group, charged with delivery of the changes, has contributed massively to this and has now successfully completed its task. My sincere appreciation to all involved in this vitally important activity.

Many members express a desire to take an active role in the Institution but have previously found it very difficult to do so. One of our governance changes has focused on addressing this through a more open approach. Under the leadership of Isobel Pollock-Hulf OBE, the new Nomination Committee now actively promote opportunities for members to get involved and they actively manage the selection process. It has already stimulated great interest from members and successfully recruited many appropriately skilled and experienced members into active volunteer roles – many of whom have never previously been involved. This success sits well alongside our underlying commitment to wider engagement with the launch of a new Diversity and Inclusion strategy early in 2021.

We are now adopting a much more transparent approach to how the Institution is run and feedback received indicates this has been well received by our members. The Trustee Board regularly reports on key issues through the new 'Inside Track' digital blog and through other articles in our existing publications like Professional Engineering magazine, One Birdcage Walk blog and Institution News. Better communications is an ongoing process and we have more to do but I hope you feel that good progress is being made. One theme of our communications this year has concerned our HQ building. It is over 120 years old and does require some very extensive refurbishment works, which we can no longer defer. Feedback from members indicates a very strong attachment to the building and a desire to retain it as our iconic HQ for future generations of engineers. We have therefore focused on possible solutions that will allow us to achieve that. This summer, we will be balloting members to gain their consent to proceed with one of those solutions.

On a final note, as I sign off from what has been a challenging and rewarding year, I must recognise the terrific work done by our CEO, Dr Colin Brown, in so competently leading the Institution through the last two years. I would also like to express my sincere appreciation to my Trustee Board colleagues. Trusteeship requires commitment, resilience and fair mindedness and I have been fortunate in having a Board that excelled in all those characteristics. The Institution is in good shape and, when President Elect Peter Flinn takes the helm, is in good hands. I wish Peter and his Board every success.

Terry Spall
BSc (Hons) MSc CEng FIMechE



“”

It has been a privilege for me to support the staff and the membership during what has been a significant period of change since 2018.

CHIEF EXECUTIVE'S STATEMENT

It would be difficult to believe that 2020 was not a unique year in our Institution's history. It is certainly the year when we have made the most changes to the way we operate over the shortest time. Indeed, we have been forced to close our offices in Birdcage Walk for a number of weeks to be in line with UK COVID-19 government restrictions.

Not surprisingly therefore we have had to work hard to achieve our objectives and have ended up with a result of exactly 50% success with nine out of the eighteen complete. You can see a few of the headlines selected as a summary on the next page. The shortfalls however have been the ones you could predict that were hampered by a lack of physical events and face to face interactions. The year-end membership of 115,635 is the one where we are now focussing our efforts in 2021 as it was significantly short of our target of 120,056. This decline has undoubtedly been influenced by the poor employment situation that many of our members find themselves in, but it is a valuable reminder of the perpetual need to ensure 'relevance' in what we do in a rapidly changing world.

More positively, we have been able to engage much more regularly and constructively with a wider range of members around the world due to the move online. As employees we are fortunate that we sit at the time zone which allows us to interact around the middle of our day with North America over their breakfast and the Far East over their supper. It has broadened our understanding of global challenges and enabled groupings like our Council to meet and develop ideas much more frequently than before. These interactions remain the lifeblood of a Learned Society that exists as our Charter says, 'to promote the development of Mechanical Engineering, and to facilitate the exchange of information and ideas thereon'.

We are therefore in a good position as we embark on 2021. Our free reserves have risen for the second year running as they inch towards our long-term target. Our member engagement is at a record high level due to much greater and more rewarding use of the internet. We have a new governance department and an internal audit programme that is on schedule to be certain we deliver on our ambitions for best-in-class operations. Our education outreach picked up widely due to new 'STEM-at-home' projects on our website. And perhaps most importantly, we remain committed to values and behaviours that will ensure we are seen as professionals enhancing the reputation of engineering. Under the banner 'I4' they remind us of our core needs to be Inclusive, to act with Integrity and to be Innovative, so that we can make the Impact we desire.

On a very personal note, this was my second, but last, full year as your Chief Executive before I step down in the summer. It has been a privilege for me to support the staff and the membership during what has been a significant period of change since 2018. I genuinely believe that our Institution makes a positive difference to the society we serve. I know my successor, Dr Alice Bunn, can look forward to the full support of a fine employee team and our ever-enthusiastic volunteers as they ensure we will play our part to 'improve the world through engineering'.

Dr Colin Brown
CEng FIMechE FIMMM

COVID-19 STATEMENT

Most of the period covered by this Report has been significantly affected by the coronavirus pandemic (COVID-19). This has caused disruption to many of our charitable and supporting commercial activities, especially where they relied previously on face-to-face meetings to be effective. To be in line with the UK Governmental requirements for working from home, social distancing, and sanitising, the Institution and its subsidiaries have restricted access and operations at all its sites to a greater or lesser extent. This has included a ban on all non-essential travel for employees and volunteers.

We plan to continue to offer a predominantly online programme as an alternative to physical events. It is expected that this balance will change, but only marginally so, when lockdown measures are eased. The increased engagement by being virtual will remain a benefit to many of our communication and professional objectives.

Whilst it is difficult to predict the extent of the longer term financial and operational implications of the pandemic, we believe that the current operations are sustainable in the medium term. We continue to proactively adopt mitigation measures, including benefitting from Government support schemes, to minimise any negative impact on our operations.



HEADLINES

CULTURE

- Workshops with 170 members and staff to create and commit to I4 values and behaviours for all (Inclusion, Integrity, Innovation, Impact)
- Environmental and Gender Pay Gap reporting expanded in the Annual Report

FOUNDATIONS

- Microsoft 365 deployment to over 2,000 active members across 198 committees
- Governance department now regularly auditing over 90 internal procedures
- Free reserves grown by £343k
- 84 out 96 major review recommendations either complete or actions agreed

GOALS

- 2,368 registrations of new members with the Engineering Council
- 103% growth in engagement with our training and learned society programme by going online
- 570,225 downloads of documents from our library and information services
- 12 new teams, and 126 teams in total, took part in online versions of our 'Challenges'
- STEM-at-home toolkits adopted by the BBC 'Bitesize Science at Home' programme
- Our COVID-19 Task Force created an online engineering manual for disease mitigation



Workshops with 170 members and staff to create and commit to I4 values and behaviours.



Microsoft 365 deployment to over 2,000 active members across 198 committees.



12 new teams, and 126 teams in total, took part in online versions of our 'Challenges'.



STEM-at-home toolkits adopted by the BBC 'Bitesize Science at Home' programme.

OUR YEAR IN NUMBERS

TRAINING
7 New courses launched
13 Webinars, with over **7,000** attendees
74 Open courses
(**36** virtual and **38** face-to-face),
circa **600** delegates
227 Private courses to **66** companies
(**149** virtual and **78** face-to-face)
300+ Virtual classrooms

VIRTUAL EVENTS
164 Virtual Events held
27,850 Live Attendees

STEM
1 BBC Bitesize, IMechE:
Science at Home Collection
1 Launch of STEM at Home
5,000 Views of the STEM videos
1,118 Downloads of the
STEM at Home activities

SOCIAL MEDIA
1 Launch of IMechE Instagram
1,488 Instagram followers

CHALLENGES
4 Virtual Student &
Apprentice competitions
20+ Countries represented
100 Teams
125 Judges and volunteers
450+ Challenge meetings
(only **3** x IT helpdesk tickets raised)
2,050+ Participants

LIBRARY
10 Library webinars with
2,000+ attendees
570,225 Downloads from
the online library

IMPLEMENTATION GROUP
48 Completed recommendations
1 Strategy Committee established

DIVERSITY & INCLUSION
2 Diversity & Inclusion Webinars
544 Registered attendees

INTERNATIONAL REGIONS
1 New Virtual Branch created
14 New Student Chapters created

PRIZES AND AWARDS
1 Speak Out for Engineering Global Final
2 Virtual award ceremonies with
1 Cockerel in attendance
290+ Scholarship, Prizes
& Award winners

MICROSOFT TEAMS 365
198 Committee teams rolled out

ENGINEERING HERITAGE COMMITTEE
9 Heritage Awards issued
(**1** UK and **8** international)

VIRTUAL COMMITTEE MEETINGS
130+ committee meeetings
totalling **500+** hours

Live from:
1 Caravan, **2** Greenhouse, **4** Garden sheds,
43 Kitchens, **96** Studies, **200+** Living rooms

Featuring:
96 Doorbell interruptions, **162** Pets
318 Times someone said 'you're on mute'

MEMBERSHIP & BUSINESS DEVELOPMENT
1 Baby attends Chartership Interview
3 International Memorandum of Understanding signed
15 University Accreditation visits (**8** virtual, **7** phsyical)
15 Virtual company accreditation visits
1,889 Professional review interviews conducted
2,369 New professionally registered engineers
3,004 Attendees at open virtual professional
registration events

2020

“”

We seek to reduce the volume of waste being sent to landfill and in 2020 we retendered and awarded our refuse contract to a new waste disposal contractor who has a zero to landfill policy.



OUR COMMITMENT TO ENVIRONMENTAL SUSTAINABILITY

The respect and protection of the environment is an integral element of our underlying corporate social responsibility and, as such, we continuously look across all our business practices to ensure they have minimal adverse effect on the environment.

Despite the COVID-19 Pandemic, we have continued with our program to upgrade much of the lighting across Birdcage Walk, and by the end of 2020, nearly 90% of the building had been converted to low energy LED lighting. We have installed a new energy efficient hot water system and removed all plastic disposables from employee refreshment areas.

Throughout the IMechE premises we shall, where appropriate, seek to reduce the volume of waste being sent to landfill and in 2020 we retendered and awarded our refuse contract to a new waste disposal contractor who has a zero to landfill policy.

Following lockdown and the subsequent low occupancy of Birdcage Walk for the remainder of the year, our electricity usage in 2020 fell to 432 MWh from 648MWh in 2019 and our gas to 482 MWh in 2020 from 746MWh in 2019. We will continue to monitor and record our energy consumption and have put systems in place to be able to report against the requirements of the Streamlined Energy and Carbon Reporting (SECR) policy from January 2021.

Post COVID-19 restrictions, we will continue our aim to reduce the impact of travel by employees and members (on IMechE business) by promoting the use of lower impact modes of transport, holding telephone and videocall meetings and encouraging flexible working where possible, and in 2021 we will be investing in technology to equip many of our meeting rooms with enhanced video conferencing facilities.

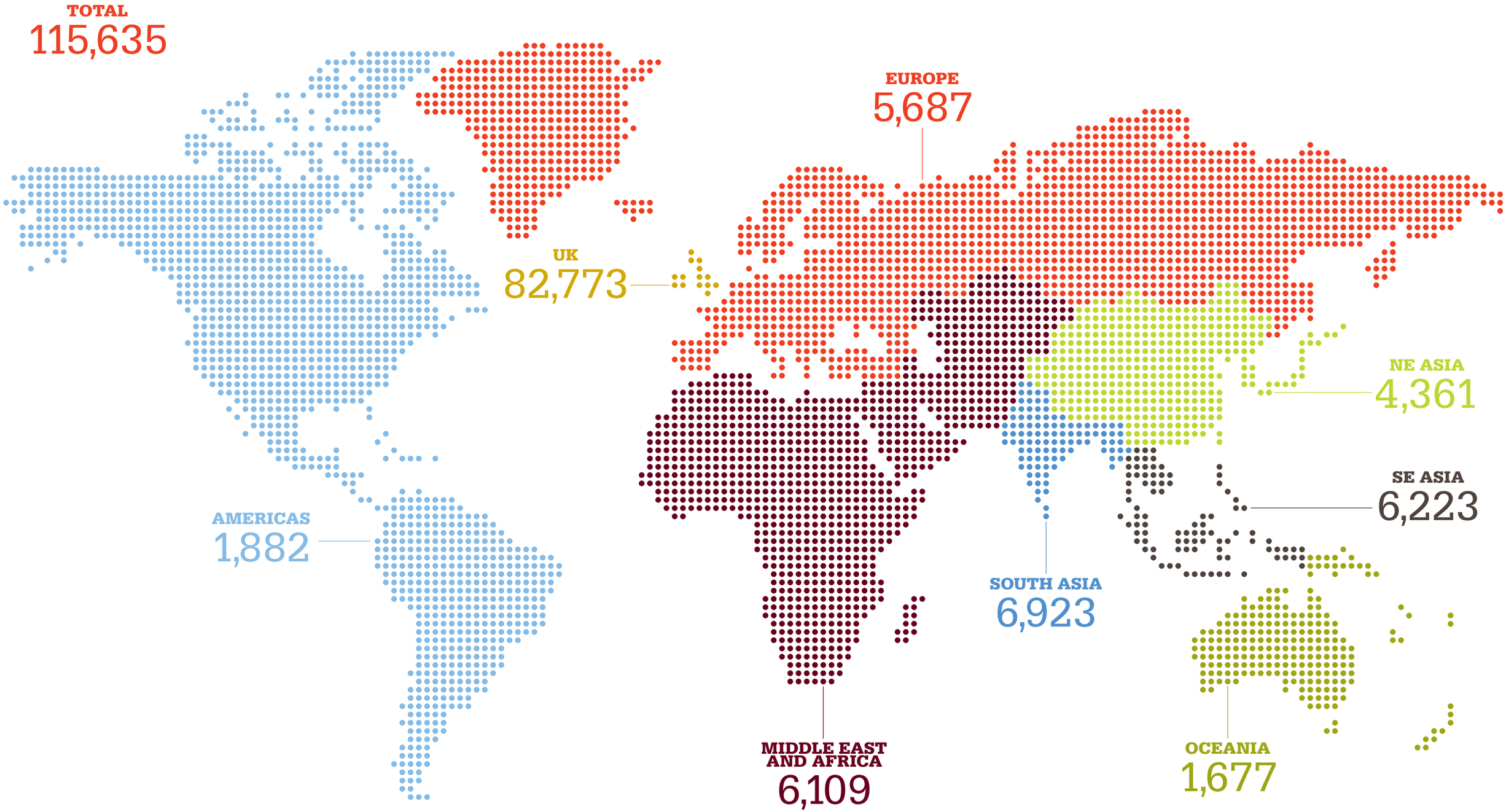
Although our corporate social responsibilities were limited due to the pandemic this year, the Institution's staff-led 'Cheer' team launched a virtual Giving Tree at Christmas raising £901.00 for the Kidsout charity.

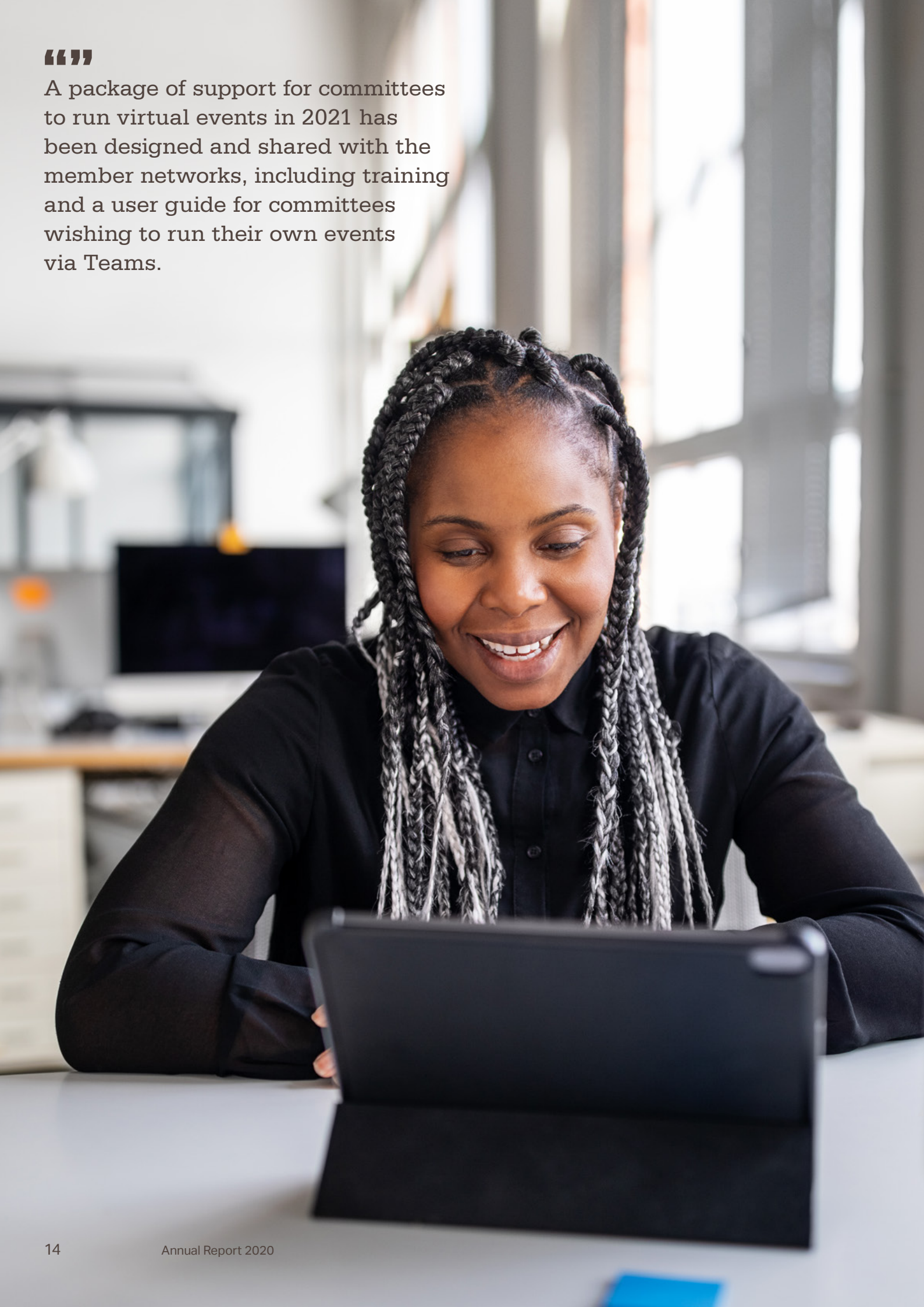


Post COVID-19 restrictions, we will continue our aim to reduce the impact of travel by employees and members.

GLOBAL MEMBERSHIP

Figure 1: Global membership by Region





A package of support for committees to run virtual events in 2021 has been designed and shared with the member networks, including training and a user guide for committees wishing to run their own events via Teams.

STRATEGIC OBJECTIVES

Objective achieved Objective not achieved

Given the difficult circumstances imposed by the COVID-19 restrictions, we have had to work hard to achieve our objectives and have ended up with a result of exactly 50% success with nine out of the eighteen complete.

CULTURE

OBJECTIVE

CG1 Output: Run a programme to embed values in Trustees, employees, and all members (link to D&I).

WHAT WE SAID WE'D DO

KPI: All employees and senior volunteers eg Board/Committee chairs to attend a values workshop. All meetings to start with a comment on implementing a value.

This objective has taken longer than we expected. We held 20 focus group sessions (170 attendees) and published a report on the findings, but it has yet to be rolled out across all employees and senior volunteers. Most meetings however do now start with a values statement, often based on Diversity and Inclusion.

OBJECTIVE

CG 2 Output: Create a baseline throughout 2020 and include a section on environmental sustainability in the next Annual Report.

WHAT WE SAID WE'D DO

KPI: The Annual Report to contain a one-page addition based on ICAEW Guidelines for Environmental Reporting.

The annual report now contains a statement which describes our own direct emissions and waste as well as any indirect effect we are having. We have also included support to other charitable activity aimed at improving the lives and hence sustainability of others.

The annual report now contains a statement which describes our own direct emissions and waste as well as any indirect effect we are having.

FOUNDATIONS

Cost effective facilities, systems & processes (FSP)

OBJECTIVE

FSP 1 Output: Complete implementation of finance and HR systems

WHAT WE SAID WE'D DO

KPI: Cascade and Microsoft Dynamics Business Central systems fully operational by end Q3.

The Cascade system was implemented as planned. COVID-19 related staffing issues at our implementation partner meant that Microsoft Business Central was not implemented until Q4.

OBJECTIVE

FSP 2 Output: Digital offerings to improve member experience and hence retention.

WHAT WE SAID WE'D DO

KPI: Develop a programme of works to engage and train the existing membership in the digital tools available eg Teams, Webinars, and YouTube content.

The total number of webinars across the member networks (supported by the Events and Member Engagement team) during 2020 was 79, and the total number of "on the day" attendees was 7,772. In total there were 13,163 pre-registrations across these events, leading to a mean conversion rate (ie percentage of registrants watching the live webinar) of approximately 60%.

A package of support for committees to run virtual events in 2021 has been designed and shared with the member networks, including training and a user guide for committees wishing to run their own events via Teams.

We have also made substantial progress on Microsoft 365 deployment to the volunteer network of over 2,000 volunteers. 198 committees now have their own Microsoft Teams spaces populated with Microsoft 365 users.



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Best practice governance and leadership (G&L)

OBJECTIVE

G&L 1 Output: Deliver accepted Review implementation goals for 2020 inc. Governance department.

WHAT WE SAID WE'D DO

KPI: Hire a Chief Governance Officer and deliver against a timed plan for all Review recommendations.

The Chief Governance Officer was recruited in Q1, and the Review recommendations are on track for completion in May 2021. As of year-end 2020, the status was:

- Finance Review – 46 principal recommendations: 36 implemented or covered elsewhere, 8 have agreed solutions for action and 2 remain in progress;
- Code of Conduct/Disciplinary – 29 principal recommendations: 4 implemented, 19 have agreed solutions for action, and 6 remain in progress;
- Governance – 21 principal recommendations – 9 implemented, 8 have agreed solutions for action, and 4 remain in progress.

OBJECTIVE

G&L 2 Output: Ensure key audits are carried out across the Institution and a rolling programme developed.

WHAT WE SAID WE'D DO

KPI: Review the state of all processes and achieve audits as scheduled by the Audit and Risk Committee.

A three-year rolling plan for all internal audits has been established around 12 audit cycles covering ~90 plans, policies and procedures, for the purpose of identifying a realistic corporate position.

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Financial resilience (FR)

OBJECTIVE

FR 1 Output: Manage capital expenditure within overall cashflow and grow free reserves to 6 months as a priority.

WHAT WE SAID WE'D DO

KPI: Grow free reserves by at least the amount of the PEP profit unless agreed differently by Trustee Board during the year.

Overall free reserves have grown during the year despite a significant PEP loss due to a significant cost reduction in the charity operations as travel and event expenditure was limited by COVID-19 lockdown.

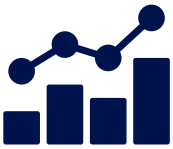
OBJECTIVE

FR 2 Output: Complete the property strategy review.

WHAT WE SAID WE'D DO

KPI: Assess all properties (whether currently owned or leased) in a written review

Although a review has not been presented, the scope of the work has greatly increased from when the objective was set. Rather than simply recommending a direction, the Real Estate Review Group is working on detailed, fully costed, proposals for presentation to the Trustee Board during the first half of 2021



Overall free reserves have grown during the year due to a significant cost reduction in the charity operations as travel and event expenditure was limited by COVID-19 lockdown.

Skilled, engaged and motivated staff and volunteers (S&V)

OBJECTIVE

S&V 1 Output: Deliver improved induction, training, & development for staff and volunteers.

WHAT WE SAID WE'D DO

KPI: Run a series of member induction activities attached to existing Boards and Committees for all Board members and Chairs.

This project was put on hold, pending the review of governance, and updating of Board and Committee Terms of Reference. There are now objectives in the 2021 Business Plan to deliver improved training and induction for volunteers.

OBJECTIVE

S&V 2 Output: Project Respect influencing organisational change.

WHAT WE SAID WE'D DO

KPI: Code of Conduct recommendations incorporated into the value workshops

The behaviours and definitions outlined in the new one page Code of Conduct ('Act with care and competence', 'Act with integrity in a reliable and trustworthy manner', Engage responsibly with the environment', and 'Contribute positively to the culture and public perception of the profession and the Institution') were included in the 20 value focus groups.

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“”

‘STEM at Home’ became the principal focus of educational outreach activities in 2020, achieving some impressive statistics. The STEM Toolkit activities were also picked up by the BBC to run as part of the BBC Bitesize Science at Home collection.



STRATEGIC GOALS

Objective achieved Objective not achieved

Support & develop engineers (SDE)

OBJECTIVE

SDE 1 Output: Upgrade accredited IPD offering to drive employer engagement.

WHAT WE SAID WE'D DO

KPI: Launch the successor system to Monitored Professional Development Scheme.

The project consisted of three separate work-strands based on the functionality needed for Mentors; for Mentees; and for Scheme Administrators. The first two works-strands have already been completed to User Acceptance Testing (UAT) stage, with the final Scheme Administration strand ready to run in January 2021.

OBJECTIVE

SDE 2 Output: Implement active programme to improve retention through EngTech engagement – EngTech retention to improve from 86.7% to 87%.

WHAT WE SAID WE'D DO

KPI: Demonstrate at least two new classes of events or interactions aimed specifically at the employment interests of our EngTech membership.

Supporting a path of progression for EngTech Members to Incorporate Engineer status, the Academic Assessment Committee have developed a Career Learning Assessment guidance document. This is based on a previous military guidance document produced in August 2019.

The required number of EngTech events (min. 30) however were not created. It is now hoped that these activities can be picked up in 2021, both virtually and physically.

Our MPDS successor project consisted of three separate work-strands based on the functionality needed for Mentors; for Mentees; and for Scheme Administrators.

Maintain professional standards (MPS)

OBJECTIVE

MPS 1 Output: Achieve member targets in line with initial findings from the membership strategy review – Total Membership at end 2020 stands at 120,056 / Net paying members at 71,438 (based on Falzani).

WHAT WE SAID WE'D DO

KPI: Create and publish an applicant satisfaction benchmark.

The year-end totals were 115,635 members with 67,459 members in the paying grades.

Elections were extremely variable this year due to COVID-19 and the significant changes needed to transition to virtual Professional Review Interviews. Overall, in 2020 we provided 569 panels for 1,889 candidates. This compares with 2,027 candidates in 2019.

Importantly we attracted over 3,400 attendees to open virtual events in 2020 compared to 1,457 in 2019. This growth was helped by seven new events launched including: You and Your CPD, Essentials for Early Years Graduates, and Top Tips for MPDS.

The Benchmark Survey about applications was sent out to both 'pre-COVID' and 'post-COVID' groups. Encouragingly, the results did not differ a great deal between the two groups, with the overall satisfaction at 81% for Excellent or Very Good.

OBJECTIVE

MPS 2 Output: Implement required policy changes for compulsory CPD for EngC registrants.

WHAT WE SAID WE'D DO

KPI: Gain approval for By Law changes from the Privy Council (for member vote in 2021).

The process remains on track for member vote in 2021, but the precise text that meets Privy Council, and indeed Engineering Council, needs took longer than anticipated on issues around Continuing Professional Development. Ultimately, it is expected that a total of 85 detailed modifications to the Charter and By-Laws will go for the member vote.



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Encourage and disseminate knowledge & invention (EKI)

OBJECTIVE

EKI 1 Output: Expansion targets for overall Challenge programme including FS AI.

WHAT WE SAID WE'D DO

KPI: Improve participation in the Challenges – 10 new entries. Increase FS AI team entries by 100%

Whilst it was not possible to achieve this objective in its entirety, most of the challenges were held virtually in 2020, with some impressive results including many new teams. In total, 139 teams took part across the Unmanned Aerial Systems Challenge, the Railway Challenge, the Apprentice Automation Challenge and Formula Student.

Unfortunately, it was not possible to run the Design Challenge at all in 2020, but the competition has been 'COVID-proofed' for 2021. There will be two virtual options for the regional finals (A and B, each with different levels of virtual engagement) and effectively three for the national final (live, virtual or hybrid).

OBJECTIVE

EKI 2 Output: Increased attendance (physical + virtual) across Training & LS programme.

WHAT WE SAID WE'D DO

KPI: Achieve 5% growth overall averaged across all activity, including a clear benchmark for international engagement.

Due to the 'virtualisation' of the vast majority of the event schedule, which broadened its reach considerably, the total number of attendees in 2020 was 21,516, more than 10,000 over the target of 11,126.

Across all the events over the course of the year, the mean percentage split between members and non-members was 75% members and 25% non-members, and the mean percentage of international (non-UK) attendees was 23%.

Library downloads increased by 11% with a year-end total of 570,225. Archive engagement grew by 20% with sessions on the Virtual Archive up by 22%. There were 100 new additions to the Virtual Archive site which included eighteen new 2D and 360˚ views of archive objects.



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Secure the future of the profession (SFP)

OBJECTIVE

SFP 1 Output: Develop a long-term strategy for the 2021–23 plan, including input from Relevance and market analysis.

WHAT WE SAID WE'D DO



KPI: Update the 2017 'White Paper' during Q1 as part of the analysis of competitors, markets and members to inform the member engagement and link to the new Strategy Committee.

Neither 'Relevance' nor the market analysis have delivered in 2020. The 'White Paper' from 2017 remains the latest overall picture as raw material for the new Stratcom to start to work with in 2021.

OBJECTIVE

SFP 2 Output: Deliver against the impact measures agreed in 2019 for PR and policy and for education outreach.

WHAT WE SAID WE'D DO



Demonstrable increase in impact over 2019.

For obvious reasons, 'STEM at Home' became the principal focus of educational outreach activities in 2020, achieving some impressive statistics. In total there have been 1,118 downloads of the STEM worksheets. The STEM Toolkit activities were also picked up by the BBC to run as part of the BBC Bitesize Science at Home collection.

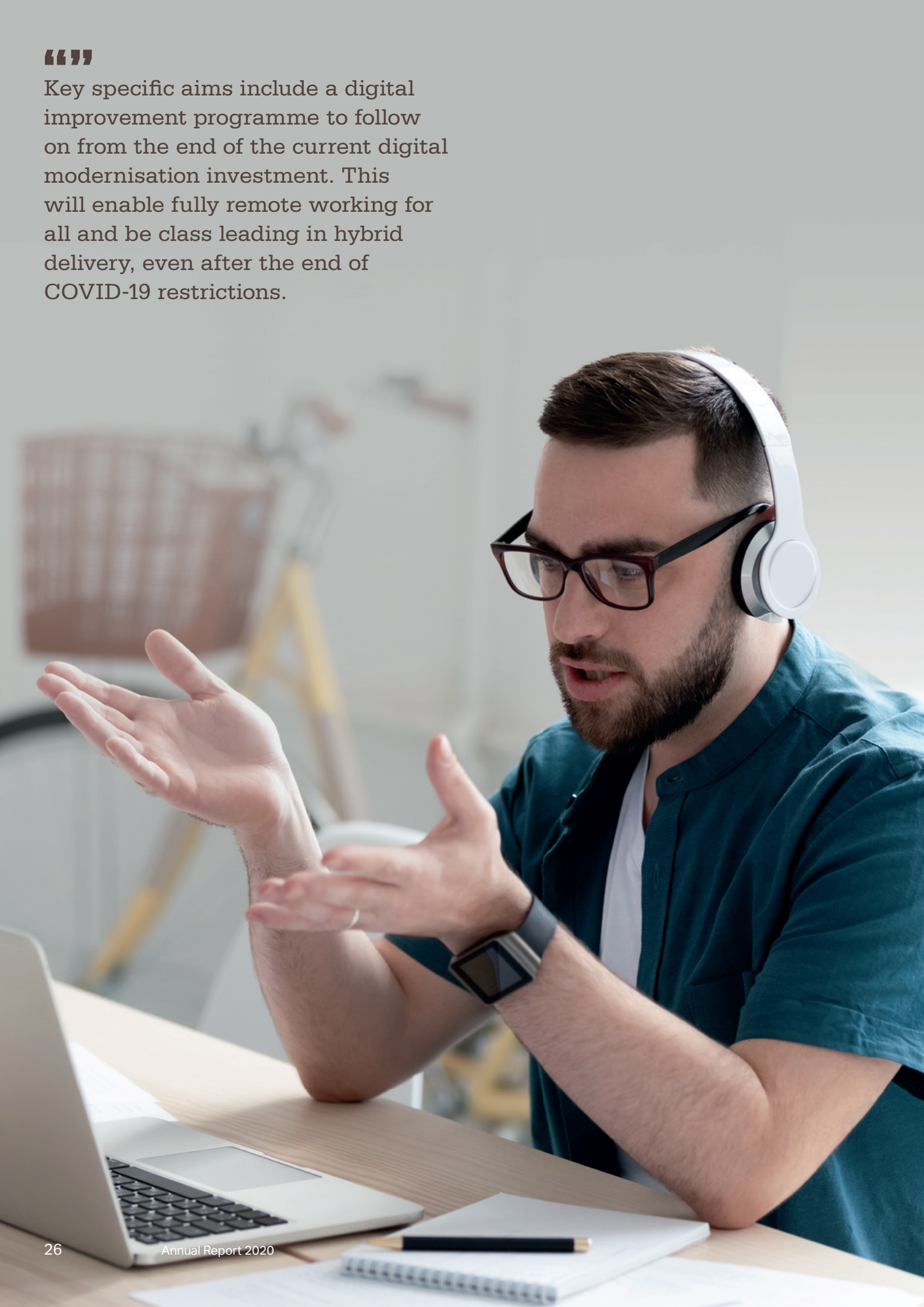
The campaign "Inspiring Governance" was launched to encourage more engineers to become school governors. In 2020, at least 62 new sign-ups to the campaign came from the IMechE.



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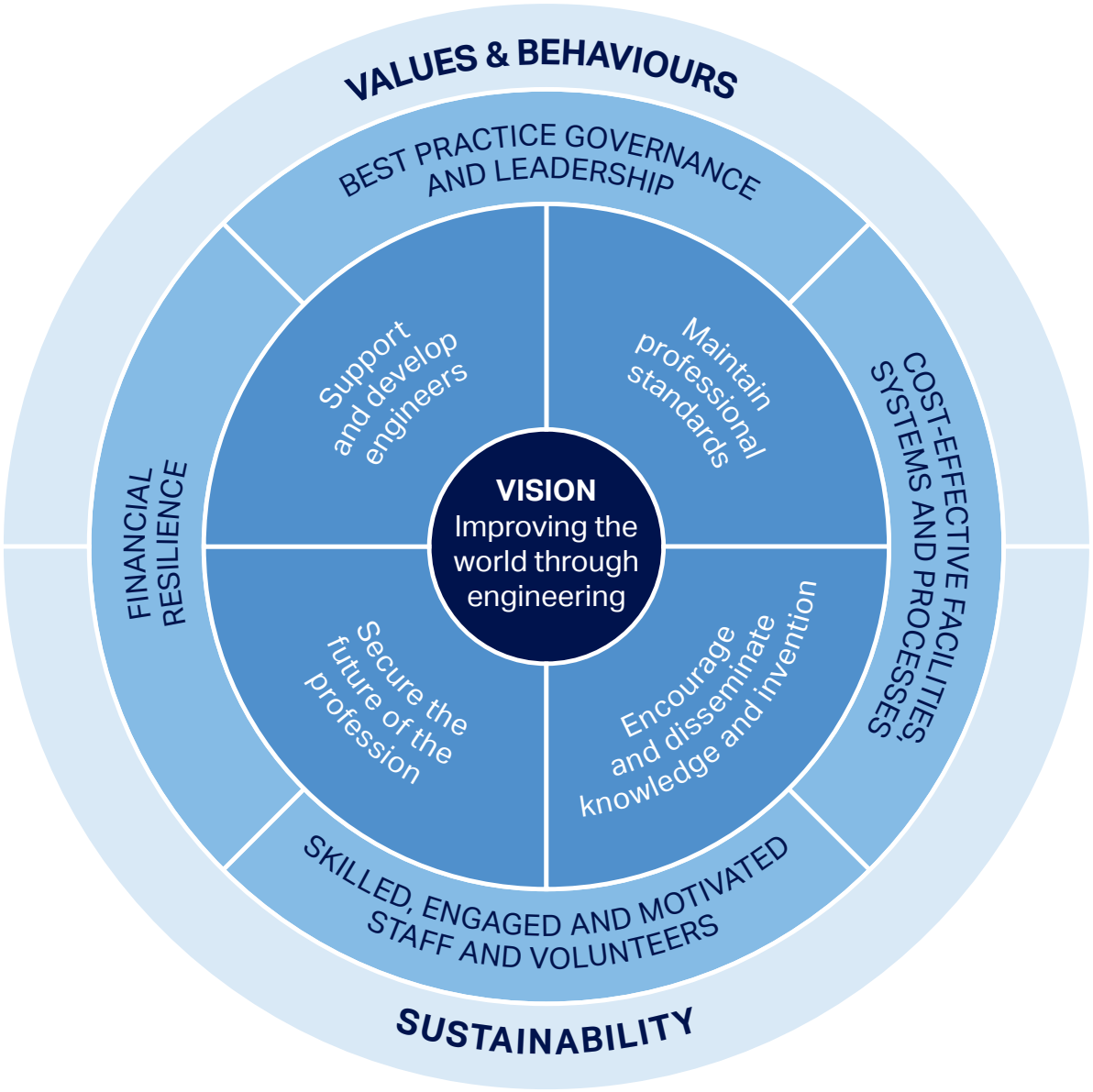
Key specific aims include a digital improvement programme to follow on from the end of the current digital modernisation investment. This will enable fully remote working for all and be class leading in hybrid delivery, even after the end of COVID-19 restrictions.



FUTURE PLANS

Our 2021 Business Plan reflects our unshakable commitment to professional values and behaviours on the part of both members and employees. Once again, we have adopted a 'wheel' representation to show how our culture with its roots in a sustainable and exemplary methods of operation wraps around all we do.

Figure 2: Institution values



The highlights of what we aim to achieve in 2021 are as follows:

CULTURE

We will be publishing a handbook of inclusive and respectful behaviours for staff and volunteers alongside the launch of a new Diversity and Inclusion strategy. We will create a support structure to ensure adherence and are looking forward to reporting on tangible evidence of positive change by year end.

FOUNDATIONS

Our Foundations will be focussed on:

- Cost effective facilities, systems and processes
- Best practice governance and leadership
- Financial resilience, and
- Skilled, engaged and motivated staff and volunteers

Key specific aims include a digital improvement programme to follow on from the end of the current digital modernisation investment. This will enable fully remote working for all and be class leading in hybrid delivery, even after the end of COVID-19 restrictions. We will also publish a clear plan for all real estate and start to implement the long-term plan for London HQ, which as a result will show environmental benefit above legal minimum requirements. Finally, we will collect data from and report on member satisfaction for all our Operating and Governance Boards, with a view to ensure they are tracking our values as behaviours as well as functioning at maximum engagement and effectiveness.

HIGH LEVEL GOALS

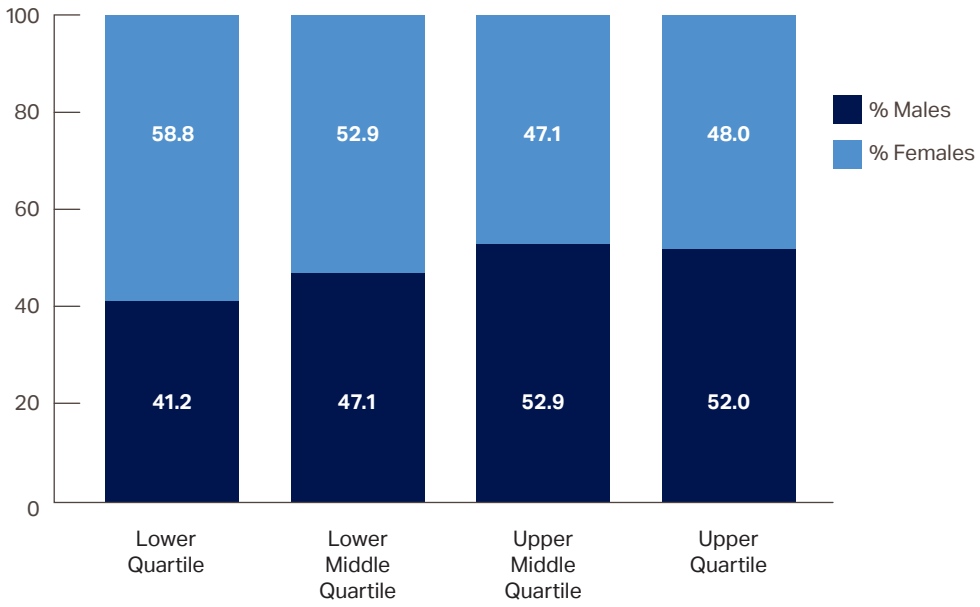
These reflect the charitable good that we are delivering in line with our Charter purpose. The 2021 outputs will include:

- The launch of a brand new online Monitored Professional Development System as an aid to professional registration, supported by an early user satisfaction survey of its operation.
- An in-depth strategic look at member recruitment and retention based on data profiling and differentiated global needs
- A critique across all our CPD offerings reflecting their popularity and value with members on which we can take positive action.
- A new range of inclusive and 'hybrid' physical / virtual solutions to retain the highest level of member engagement post-COVID
- Using a newly created and fully functioning high level Strategy Committee to own the 2022 planning cycle, engaging the full breadth of member views, and then communicating the output to all.
- Working hard on two-way communication with members to ensure they are aware of our progress and engaged in our public relations programme in education and engineering.

GENDER PAY GAP REPORTING

As an employer with fewer than 250 employees, under current legislation, the Group is not required to publish gender pay gap information. However, the data below is provided in the interests of transparency and to demonstrate the Institution's commitment to providing equal pay. On average in 2020, our male employees were paid 9.2% more than our female employees before detailed job roles are taken into account. This is driven mostly by 52% of our upper quartile roles being taken by men and 58.8% of our lower quartile roles being taken by women.

Figure 3: Gender pay gap quartiles



The situation with bonus payments however is slightly worse. 155 people received bonuses in the year, 51% of whom were women, but their bonuses – again before job roles are taken into account – were 38.2% lower on average than those received by our male employees. Overall, we will continue to take action to understand and redress these differences despite the existing performance comparing well with others in our sector.

“”

The Trustee Board are committed to improvement and change at the Institution and continue to support the culture transformation programme. At the heart of this commitment has been the launch of the five-year diversity and inclusion strategy and the launch of the values and behaviours programme.



STRUCTURE, GOVERNANCE AND MANAGEMENT OF THE CHARITY

The Institution is governed by a Trustee Board comprising of members of the Institution elected to office by Corporate and Associate members, through an annual election process. Trustee essential training is provided at the start of each election term for all Trustees and additional specific training provided as required related to specific activities or skills growth.

TRUSTEE BOARD

President	Terry Spall
President Elect	Peter Flinn
Vice Presidents	Heather Clarke Matt Garside Giles Hartill Phil Peel
International Vice President	Raymond Hodgkinson
Ordinary Members	Richard East Professor David Nowell Helena Rivers
Member ordinarily resident overseas	Vijay Raman
Member under 30	Ross O'Brien
Trustees Retired or Resigned in year	
Past President	Professor Joe McGeough
Ordinary Member	Dr Helen Meese
Member under 30	Salma Suleyman

Trustees typically meet six to eight times a year with additional meetings as required. Trustees are invited and attend as observers at Council meetings.

SENIOR MANAGEMENT TEAM

The daily management of the Institution is delegated by the Trustee Board to the Chief Executive and Senior Directors. The Chief Executive is responsible for the organisation and deployment of the Institution's employees.

Chief Executive	Dr Colin Brown
Finance & Commercial Director	Sean Fox
Human Resources Director	Bims Alalade
Member Operations Director	Joanna Horton

BOARDS AND COMMITTEES

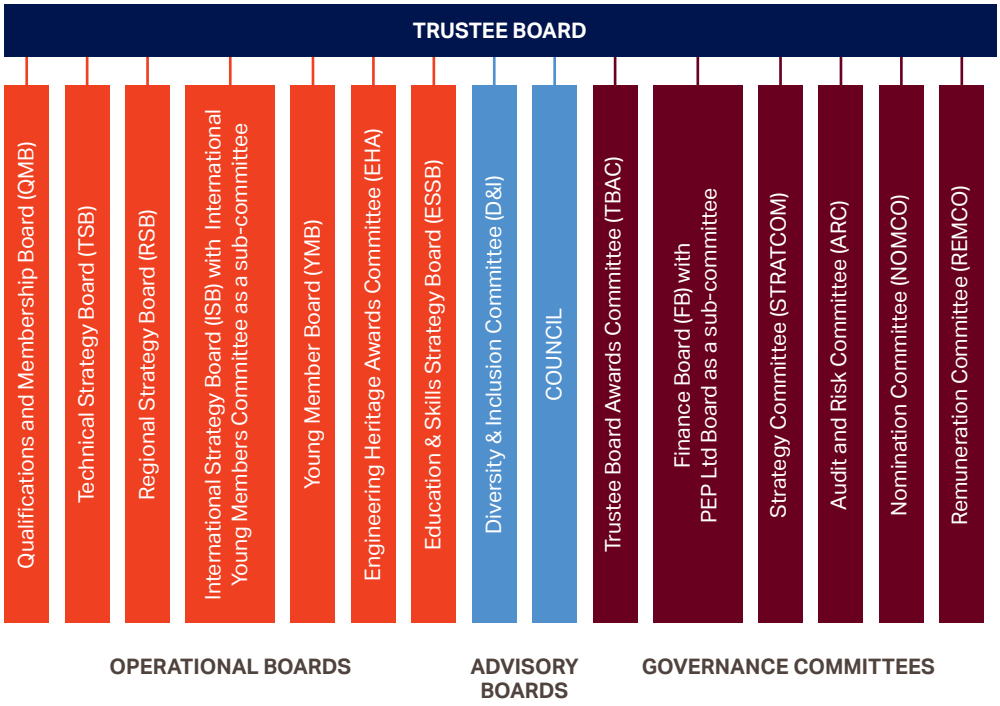
In line with the 2019 Governance Review, the Trustee Board is strengthening and providing clarity to its volunteer-led Governance and Operational boards and committees (**Figure 4**).

The newly formed Nomination Committee is central for recruitment, assessment, and nomination of suitably qualified and experienced candidates to key boards and committees alongside nominating into our annual election process. Work on strengthening these committees and boards will continue into 2021 with roles being openly advertised to encourage wider and more diverse (in all forms) membership participation. Boards and committees may appoint non-members to fill either skills / knowledge gaps or to build collaborative working relationships with representatives of other professional engineering institutions and related bodies if required.

The Trustee Board is directly supported by the work of its governance sub-committees and through the advisory role of Council and the Diversity and Inclusion Committee.

- **Audit & Risk Committee** – objective and independent review of risk management, control, and governance processes.
- **Finance Board** – management of the Institution's finances and investments.
- **PEP Ltd Board** – management of the Institution's trading subsidiaries, reporting into the Finance Board.
- **Nomination Committee** – independent and transparent recruitment of skilled members and non-members for positions on governance committees.
- **Remuneration Committee** – renumeration packages for the CEO and Directors, and overall settlement for employees.
- **Strategy Committee** – developing the Institution's high-level purpose, vision, strategy and objectives.
- **Trustee Board Awards Committee** – to administer the disbursement of the Institution's major prizes and awards.
- **Council** – tendering advice on direction and strategy of the institution and communicating the representative views of the membership.
- **Diversity and Inclusion Committee** – provides guidance on matters related to equity, diversity and inclusion for both employees and members.

Figure 4: IMechE governance – organisational structure (April 2021)



- The Institution's member networks are overseen by operational boards chaired by elected members and comprising members with expertise in defined areas and roles representing member activities and constituencies.
- **Qualifications and Membership Board** – maintains professional standards and promotes registration to the Engineering Council.
- **Education Skills & Strategy Board** – promotes engineering to the next generation.
- **International Strategy Board** – oversees Learned Society activities and engagement with members based outside of the British Isles.
- **Regional Strategy Board** – oversees Learned Society activities and engagement with members based in the UK and Republic of Ireland.
- **Technical Strategy Board** – promotes technical interests and coordinates member activities covering sectors (Divisions) and technologies (Groups).
- **Young Members Board** (UK and Republic of Ireland) and the **International Young Members Committee** (all areas outside of the British Isles) – champions and promotes Learned Society activities and engagement for members within ten years of professional registration.
- **Engineering Heritage Awards Committee** – celebrates and recognises engineering heritage worldwide.

The combined networks of the International Strategy Board (ISB) and the Regional Strategy Board (RSB) are the key mechanisms for local engagement opportunities for our global membership. The ISB and RSB operations are structured around geographical areas overseen by Regional Committees comprising elected Chairs, Vice Chairs, Secretaries and Treasurers supported by other committee members. Regional activity is further delineated by local Branches, Areas, Young Member Panels, and the TSB's Divisional Centres. All members are encouraged to connect with their local Institution committee to access local engagement activities and participate in our global network of members. Information regarding the 2020 activities of the operational boards and their networks are detailed elsewhere in this report.

“”

The extent and success of the Learned Society’s engagement and activities is dependent on the commitment and efforts of our volunteer members who are supported by professional and well-trained staff.



MEMBERSHIP VOLUNTEERING

The extent and success of the Learned Society's engagement and activities is dependent on the commitment and efforts of our volunteer members who are supported by professional and well-trained staff.

The Trustee Board would like to thank the 1000's of members around the world who freely volunteer their time to support the Institution at all levels. Institution members give their time on a purely voluntary basis as members of the Trustee Board, Council, governance committees and all the operational boards and regional committees across the member networks. They are also crucial in the delivery of Professional Reviews, registration events, STEM based activities, local events, mentoring, student challenges, to name just a few of the many opportunities to connect with the Institution. Without this support many of our activities or meetings would not be possible.

PROVISION OF FREE FACILITIES

The Institution pays for most of the external facilities that it uses, particularly at national level. Locally, in the Regions and Centres, there is some dependence on the provision of free facilities to hold meetings.

CHARITY COMMISSION

The Institution takes seriously its responsibilities and duties as a large charity and is focused on continuous improvement in its governance framework to fully comply with its statutory and regulatory obligations and to demonstrate best practice.

In 2018–2019, three corporate reviews – finance, governance, and code of conduct/disciplinary regulations – were completed and a group comprising Trustees, Past Presidents and current or former members of Council was established with the task of implementing the reviews' recommendations.

At the time of writing, of the 96 principal recommendations, 74 have been fully implemented and 13 have agreed solutions and are in the process of being implemented. Just 9 recommendations were still being progressed to find implementable solutions in 2021.

A key theme underpinning many review recommendations was the importance of shared values and behaviours to shape the culture within which the Institution's governance and operations take place:

- Revisions to the Code of Conduct for members (approved September 2020) and the associated Disciplinary Regulations (approved March 2021).
- Values and behaviours project involving interviews and focus groups with members and employees, the outcomes of which were further surveyed in March 2021 with 'Own Your Values' sessions. A new Trustee role is being created to lead on values and behaviours across the organisation.
- Approval of a new Diversity and Inclusion strategy, launched in February 2021. The introduction of 'diversity and inclusion moments' in each Trustee Board meeting, for roll-out in board and committee agendas across the organisation.

It is important to emphasise the work to date to implement the reviews' recommendations are important first steps. The Trustee Board is committed to proactively building upon this momentum to maintain a long-term programme of continuous improvement in the Institution's governance and operations.

The one area where we are not currently compliant with the Charity Commission Code of Governance is that, as an active membership body, all our Trustees are currently elected, which means that we cannot ensure that they are selected on merit against objective criteria. However, one of the proposed changes to the bylaws planned for a member vote in 2021 will allow the Trustee Board to co-opt Trustees to fill any identified skills or experience gaps, which should allow us to comply with the substance of the Code, by ensuring we have a suitably skilled and experienced Trustee Board overall.

INTERNAL CONTROL

Internal control systems provide reasonable but not absolute assurance against material misstatement or loss, and cover measures to identify and manage risk.

In 2020:

- A dedicated sub-register to manage COVID-19 risks and mitigations was created alongside the corporate risk register.
- A new finance system was introduced to replace multiple legacy systems and provide integrated oversight, management and control of financial operations.
- The new Audit and Risk Committee conducted 90 short internal audits for the purpose of establishing baselines, identifying priority areas, and establishing a forward rolling programme of strategic and operational audits.

AUDITORS

In September 2020, the Trustee Board approved the Audit and Risk Committee's recommendation to appoint BDO as new Statutory Auditors for the Institution. This followed an intensive competitive tender exercise with firms down selected at several stages prior to final Interviews.

EMPLOYEE ENGAGEMENT

The Trustee Board are committed to improvement and change at the Institution and continue to support the culture transformation programme at the Institution as recommended in the Governance Review. At the heart of this commitment has been the launch of the five-year diversity and inclusion strategy and the launch of the values and behaviours programme. Members and employees had the opportunity to engage with both initiatives through stakeholder interviews, focus groups, surveys leading to ensure their voices were heard and reflected in the outcomes. Employees had further opportunities to express their thoughts and suggestions for a more inclusive workforce by attending the "let's talk about race conversations" and participating in the work and wellbeing surveys.

The Institution also has an active Employee Engagement Forum comprising of employee representatives from all grade levels and office locations. The forum has been instrumental in influencing policies and employee benefits within the Institution. There is also an established Management Forum, made up of General Managers and Heads of department. They actively contribute to the annual strategic business and operating plans and influence decisions made about employees work and wellbeing.

The Institution provides generous wellbeing benefits and promotes wellbeing initiatives such as 'Wellbeing Wednesday'. To raise awareness of wellbeing, we have increased the number of published wellbeing articles to employees and signposted employees to mental health resources and additional wellbeing resources produced as a consequence of the pandemic. In 2020, a number of staff attended mental health awareness training sessions and plans are underway to increase the number of mental health first aiders as well as provide all staff with the opportunity to attend awareness sessions. Additional training will also be offered to managers, particularly in managing remote teams.

ARRANGEMENTS FOR SETTING THE PAY AND REMUNERATION OF KEY PERSONNEL

The remuneration of senior management at Director level and above is reviewed and approved annually by the Remuneration Committee. The Committee ensures arrangements are affordable and fair, and designed to motivate and reward performance in the interests of the Group. Remuneration is benchmarked periodically using external surveys and data which include both commercial and not-for-profit organisations.

PUBLIC BENEFIT STATEMENT

The Trustees confirm that they have complied with the duty in Part 1, Section 4 of the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit, 'Charities and Public Benefit'.

The charitable objective of the Institution is to promote the development of Mechanical Engineering to benefit "the general public / mankind" as detailed in the Royal Charter. The Trustees ensure that this purpose is carried out for the public benefit by delivering services that are valued by our members and setting standards of achievement for engineers, thereby engendering public confidence and trust.

Membership is open to people who are pursuing a career or have an interest in mechanical engineering.

The Institution actively pursues the development of debate and action on topics for the betterment of society that relate to mechanical engineering. The Institution provides free literature, free lectures and free access to the library to encourage members of the public to engage in the improvement of the world through engineering. Many of these have been delivered online since last year due to COVID-19 restrictions.

RISK MANAGEMENT

Risks are identified and managed through a corporate risk register which is maintained by the senior management team and overseen by the Audit & Risk Committee. A number of issues are identified, and these include (but are not limited to): strategic, operational, technological, financial, regulatory/compliance, legal and reputational issues. Risk registers assist the Institution in identifying high priority areas as well as establishing the Institutions overall risk appetite.

The risk register is presented annually to the Trustee Board and reviewed more frequently by the Audit & Risk Committee to ensure risks are being managed effectively and that they remain relevant.

Overall responsibility for risk management rests with the Trustee Board. Comprehensive risk registers are maintained at department level with a consistent approach to risk being adopted throughout the organisation. The COVID-19 pandemic generated additional risk reviews necessitated by the frequent changes to Government guidelines and the impact of the pandemic on the Institution's operations.

RISK APPETITE STATEMENT 2020

INTRODUCTION

One definition of risk appetite is 'the acceptable level of risk that an organisation or function is willing to tolerate while pursuing and delivering its financial and operational priorities.'

The Institutions risk appetite describes the risk level that the organisation is prepared to accept in achieving its goals. Factors that affect risk appetite include the Institutions:

- Charitable aims and principles (including our Royal Charter).
- Strategy (objectives, stakeholder interests/ expectations).
- The duty of care that we owe as a charity and business
- Our resources, personnel, equipment and skillset.
- Our ability to identify opportunities for improvement.
- Financial impact.
- Internal or external technological factors
- Our commitment to continually improve.
- The approval of our Trustee Board.

OUR APPROACH

The Institution's approach to risk is to identify issues that could impact its business objectives. Where issues or potential issues are identified, they are evaluated and recorded as risks. Evaluating risks allows the Institution to assess whether they are acceptable in their current state or whether additional measures need to be implemented to reduce the probability or impact of them occurring. This approach provides the Institution with an opportunity to make improvements to the business and charity.

The Institution will only accept a risk where the potential benefit or detriment to the business is understood and where sensible measures are in place to control or mitigate the risk.

As risks bear a cost, they are also expressed in financial terms, thus allowing the Institution to evaluate their financial impact.

The Institutions risk appetite is linked inextricably to our ability to measure and manage risks. We use several methods to achieve this, ie by implementing policies, procedures, conducting regular reviews and updates, and assurance processes (internal audits).

The Institution's approach to risk is proactive and in line with its business strategy.

MAJOR ORGANISATIONAL RISKS

Property Assets
Risk factors associated with the Institution's property assets have to be managed, specifically the very high cost of maintaining (running costs, dilapidations, impact of COVID-19) against income and/or potential realisable capital value. The Real Estate Strategy Group was established in 2020 to consider the options for our largest property asset (One Birdcage Walk) and to present their findings the Trustee Board.

Governance Challenges
Corporate Governance risks associated with leadership and accountability have resulted in several measures, ie, amendment of the By-Laws, values and behaviours framework together with reviews of Finance, Governance, and the Codes of Conduct by the Implementation Group.

Membership & Accreditations
As a membership-based Institution, maintaining membership streams and membership engagement is vital. Although we expect to reach our membership target, potential members may be tempted to join other organisations due to a variety of factors (fees, allocation of resources to advertise, recruit and engage). Associated with this, are the risks connected to maintaining OFQUAL approval and accredited membership status.

IT Infrastructure
IT infrastructure and operations posed a significant risk to the Institution particularly where IT systems and processes were no longer fit for purpose. A review of these risks has resulted in mitigation measures – the appointment of a new Head of Digital, recruitment of an in-house support team, the upgrading/ modernisation of the core network infrastructure, Microsoft 365 rollout as well as planned solutions centred around our membership engagement.

Compliance and Reputation GDPR
As a membership organisation, we are particularly sensitive to data protection issues and the UK GDPR regime. Steps are being taken to ensure that any new processes or policies are updated in line with the Brexit Implementation Period and ICO guidelines.

Health & Safety
We have a Health & Safety committee and employ professionally qualified facilities management staff to ensure Health & Safety conformity at all sites. We have regular site inspections and reviews by senior management and a Health & Safety report is reviewed by the Trustee Board.

Cyber-security
This is an area of continuous change as technology evolves. As part of our wider digital modernisation, we are building cyber security routines into our systems and processes, including penetration testing by external third parties.

IR35
A key employment risk is the introduction of the IR35 regime which focuses on individuals who provide services to businesses within the remit of consultancy/self-employed contract but despite the use of a self-employed agreement, the arrangement may still amount to a employee–employer contract within the context of the rules.

In order to mitigate against the risk of an HMRC enquiry and any associated penalty where any contractor falls within IR35, the Institution has undertaken assessments and reviews of all its contractors and their associated work arrangement. This includes collating and where necessary undertaking a CEST assessment for contractors. Where the relationship or contract could fall within IR35, we have chosen to transfer the arrangement to an employment contract to ensure we are compliant with the legislation.

COVID-19
At the time of approving the 2020 Trustees' Report and Financial Statements it is clear that 2021 will continue to experience significant disruption to the work of the Institution as a result of the ongoing COVID-19 pandemic.

Due to the progress made on the Digital Modernisation Programme, Institution staff and members were able to move quickly to a homeworking approach and have been working remotely since the Government's advice to work from home where possible.

The Trustees and senior management team have put in place additional measures to mitigate the financial impact of the outbreak, at the same time as delivering against our 2020 objectives in the most appropriate way given the current COVID-19 control measures. This includes measures such as use of Government approved schemes such as the furlough scheme (and US Payroll Protection Program), reviews of our commercial trading entities (frequent review of current performance and resources against projected income and expenditure) and the identification of ways in which the Institution can continue to deliver on its strategic aims (membership engagement, delivery of products, training solutions) whilst complying with any Public Health England/Government guidelines.

Further work
We will look to continue to develop statements on the following for the next annual report:

- Charities Governance Code
- Diversity reporting
- Modern Slavery Act

OPERATIONS AND CHANGE MANAGEMENT

IT infrastructure and systems
We have completed our programme to migrate from an on-premises infrastructure to Microsoft Azure cloud platform. By the end of 2020 all key systems were cloud-based.

All digital projects are managed in-house and in 2021 the Strategy Committee will oversee a Digital sub-committee on behalf of Trustee Board.

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We engage with government, industry and education to promote and encourage young people to study maths and science at school. As well as supporting young people to pursue engineering paths in further and higher education and training.



GOVERNANCE AND MEMBERSHIP

Governance
Of the 21 principal recommendations arising from the 2019 Governance review, 9 have been implemented, 8 have agreed solutions for implementation, and 4 are in progress. Some solutions require changes to the Royal Charter and By-laws, which will go out for a vote by Corporate and Associate members in 2021.

Continuing relevance to modern engineers
We conduct regular membership surveys and act upon the results. One key objective of the digital modernisation programme is that of improving relevance to membership through the provision and delivery of better products and services and we have delivered significant projects in this area during 2020. The President met with other professional engineering institutions to identify areas where we could all work more collaboratively for the betterment of Engineering.

Supply of future engineers
In collaboration with the other professional engineering institutions, we engage with government, industry and education. By doing so, we promote and encourage young people to study maths and science at school. As well as supporting young people to pursue engineering paths in further and higher education and training.

FINANCIAL

Cost of remaining at One Birdcage Walk
As an old building in a conservation area, it has very high running costs and requires significant capital expenditure over the next few years due to the poor state of the building fabric. It is too large for our needs and, although excess space is either let to tenants or for short term events, this income does not cover the running costs.
A real estate strategy group (RESG) was established in 2019 to consider the optimum treatment of the Institution property portfolio. Following initial work in 2020, detailed proposals and a fully costed business case are now being prepared to address all the issues identified. It is aimed to present these to the Trustee Board in 2021 in preparation for an appropriate membership communication. Once the RESG proposals are approved by our members, implementation is likely to take several years to complete.

Returns from commercial trading investments
Following the report of the Finance Review Group in 2019, a number of changes have been implemented relating to the commercial trading investments. A new Professional Engineering Projects Limited (PEP Ltd) Board was created in late 2019 to oversee the activities of the trading companies, reporting to the (also newly established) Finance Board. The PEP Ltd Board is chaired by a Trustee of the Institution and also has a Past President, an independent non-executive director and one of the General Managers from the trading companies as members, supported by the Finance and Commercial Director. Individual operating Boards have been established for all trading entities with a member of either the Finance Board or PEP Ltd Board on each one to provide regular support.

The internal finance oversight has also been strengthened with the appointment of a new permanent Head of Finance position in February 2020 and the implementation of a new integrated accounting system in November 2020, which has replaced the five different systems previously in usage.

Despite all these changes, returns from commercial trading investments are currently severely impacted by the COVID-19 pandemic and are expected to remain so for a significant part of 2021.



> The key objective in improving the financial position of the Institution is to provide secure financial underpinnings to deliver the Learned Society activities to our members.

FINANCIAL REVIEW

FINANCIAL RESULTS

The key objective in improving the financial position of the Institution is to provide secure financial underpinnings to deliver the Learned Society activities to our members. The Institution runs several commercial ventures which are pertinent to its core values to help subsidise the charitable purpose. Following the completion of the Finance Review in 2019, achieving self-funding for the charitable business and increasing the level of free reserves have become key priorities, but these have both been hampered by the significant impact of the COVID-19 pandemic.

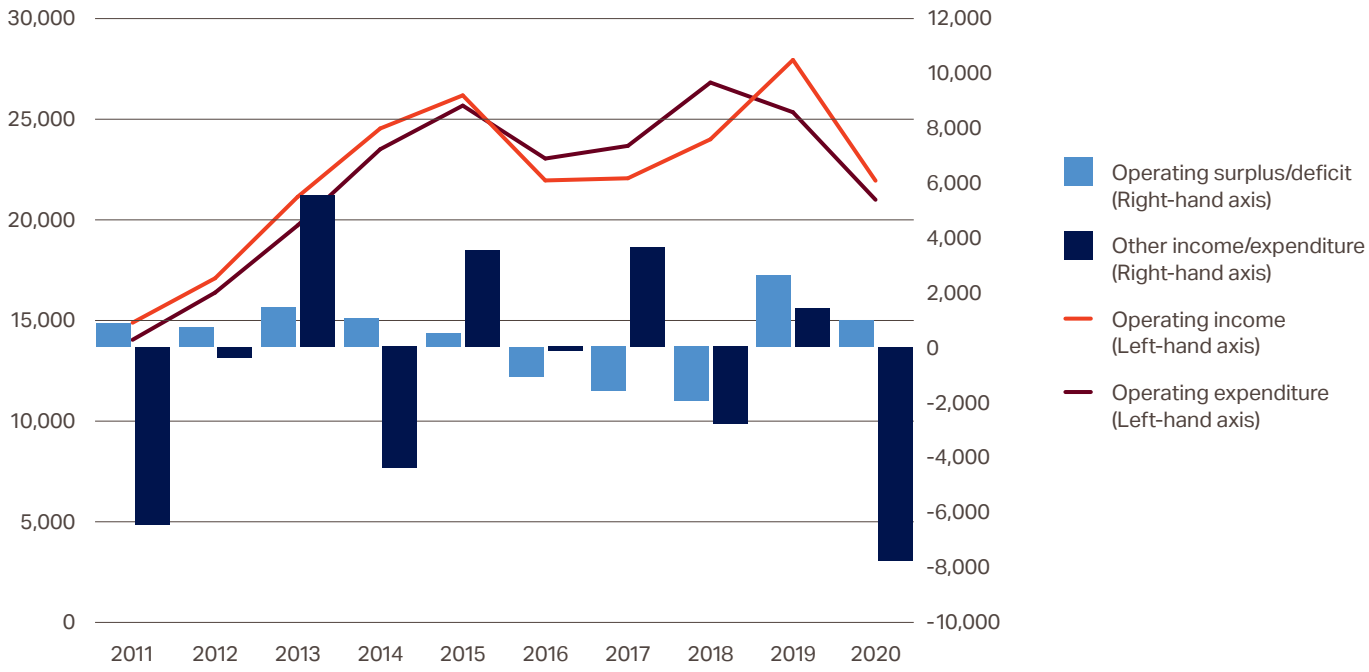
In 2020, overall income fell 21% to £21.9M (2019 – £27.9M). Of that decrease, £1.9M relates to the sale of 6 Old Queen Street in the prior year and the underlying decrease was 16%. The overall level of income from subscriptions and associated services rose by 0.4%, reflecting higher rates offset by an increase in lapsing as members were impacted by the COVID-19 pandemic.

£0.4M of other income (2019: Nil) relates to furlough income receivable under government COVID-19 support schemes.

Operating expenditure fell 17% to £21.0M (2019 – £25.3M) resulting in an operating surplus of £0.9M (2019 – £2.6M). These costs included items totalling £0.1M (2019 – £0.3M) for legal and governance costs relating to or following the 2018 Special Meeting. Excluding these costs, there was an underlying operating surplus of £1.1M (2019 – £2.9M).

Non-operating costs included a £0.7M loss on investments due to a COVID-19 related write down in the values of some of the investments in our mixed-motive investment fund (2019 – £2.2M profit), and a £7.1M actuarial loss (2019 – £0.9M loss) on the pension fund scheme (see note 10 for full details), resulting in a net movement of funds (operating and non-operating) of £6.9M deficit (2019 – £3.9M surplus) for the year.

Figure 5: Income and expenditure trends 2011–2020 (£'000s)



CHARITY RESERVES

The Trustee Board has a policy which requires that the level of free reserves should reflect six months of charitable spend. The impact of COVID-19 has been taken into consideration and this policy is deemed appropriate for the reported financial period. Independently of the COVID-19 impact, a review is currently underway to consider how to reflect the impact of risks identified in the risk register in the free reserves target in a more dynamic and responsive way. A revised policy will be presented to the Trustee Board for consideration during 2021.

A change has been made to the calculation of free reserves to deduct the value of contribution payable to the pension fund within the next 12 months. The previous policy, of excluding the whole pensions deficit on the basis that it was a long-term liability over many decades, ignored the short-term element of the commitment. Previous years, in the table below and following chart, have been restated to reflect this.

As of 31st December 2020, this calculation was as shown:

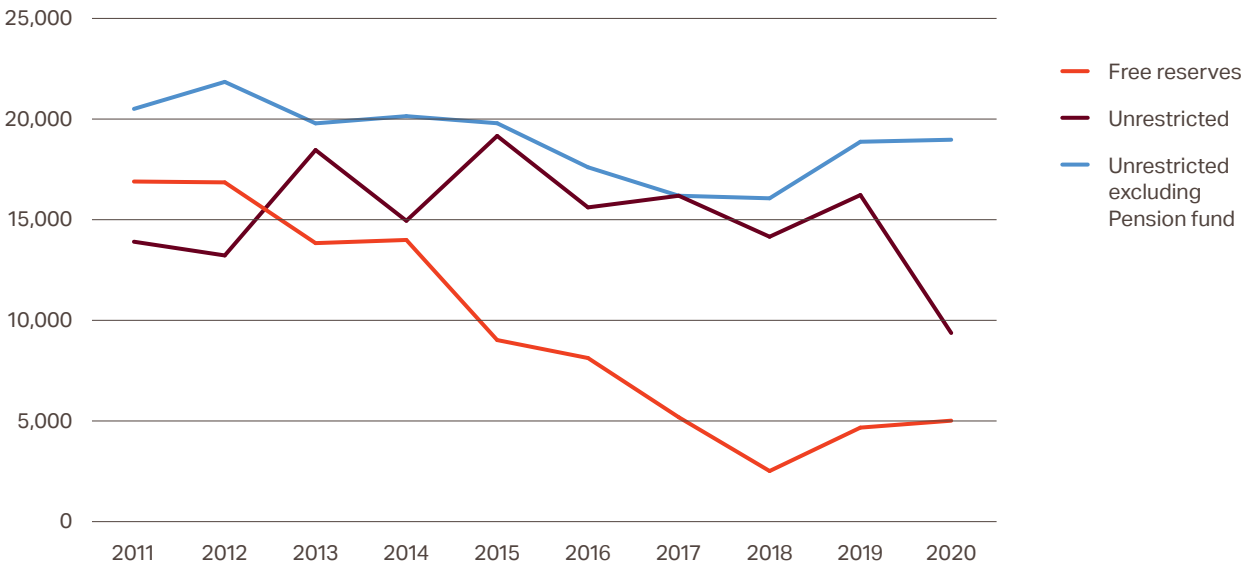
	2020	Restated 2019
	£'000	£'000
Total Charity funds excluding pension liability	32,900	32,871
Less: Endowment funds	(10,717)	(10,627)
Less: Restricted income funds	(3,647)	(3,808)
Unrestricted funds	18,536	18,436
Less: mixed-motive investments	(2,679)	(3,397)
Less: intangible assets	(3,610)	(2,690)
Less: tangible assets	(6,697)	(7,141)
Less: current year pension deficit payments	(410)	(410)
Free reserves	**5,140**	**4,798**
Total Expenditure	20,981	25,333
Less restricted expenditure	(487)	(633)
Less non-charitable trading activities	(7,665)	(9,720)
Less current year pension deficit payments	(410)	(410)
Charitable activities expenditure	**12,419**	**14,570**
Months expenditure to free reserves	**5.0**	**4.0**

The current level of free reserves is close to the policy. However, the target level of free reserves is being reviewed in order to more explicitly follow the guidelines of CC19. The level of free reserves is expected in future to be calculated as a sum of:

- Special projects (excluding routine maintenance) eg the extensive capital repairs needed to One Birdcage Walk.
- Major risks – a judgement based on a combination of those known or reasonably forecast in the medium-term – as defined in the Institution's Risk Register.
- Unknown risks for a major loss of income (eg the type of unexpected event that COVID-19 was in 2020).
- The cost of orderly wind-up of the charity if ever required.

This is expected to be higher than the current target until the building strategy is implemented.

Figure 6: Trends in unrestricted and free reserves 2011–2020 (£'000s)



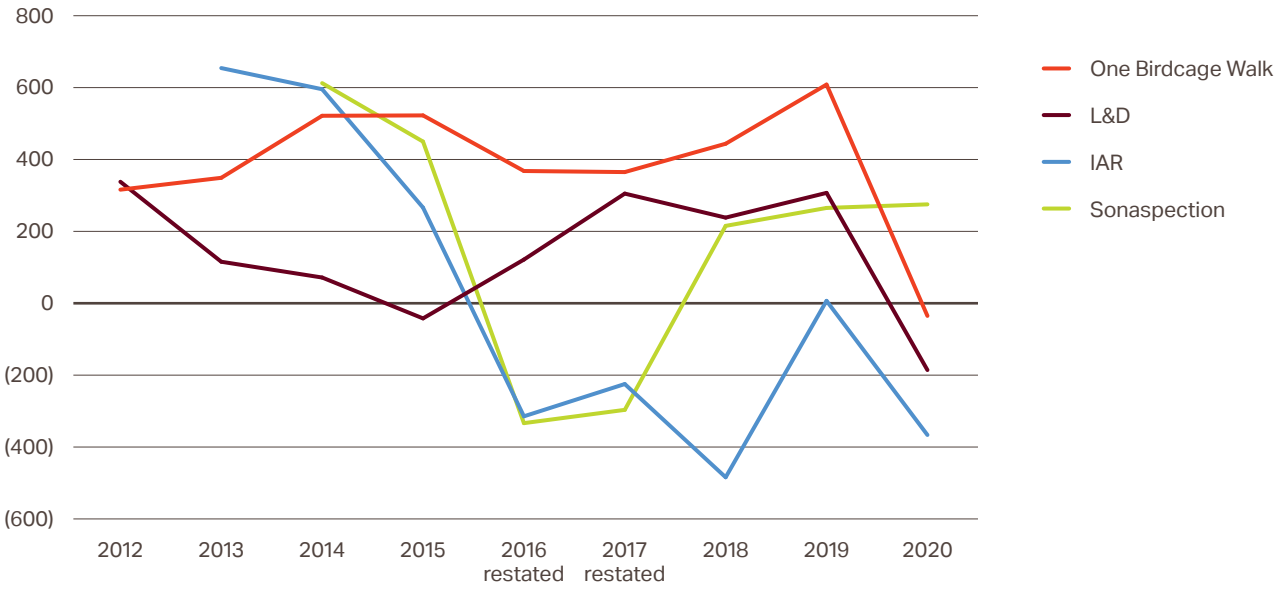
TRADING ENTITIES

The governance of the trading companies is the responsibility of the Finance Board, chaired by the Honorary Treasurer, reporting to the Trustee Board. The Board of Professional Engineering Projects Ltd (PEP) directly manages the activities of the trading entities and is chaired by a Trustee, who is also the Deputy Chair of the Finance Board. Both boards have external members who are senior members of the Institution or appropriately qualified independent members, supported by external professional advice. The PEP Ltd Board approves both the annual operation plan and three-year strategic plan for each operating business which is then submitted to the Finance Board for approval as part of the overall Institution's financial processes.

The Institution operates four main trading activities through its subsidiary Professional Engineering Projects Ltd and its sub-subsidiaries. The shared costs (finance, HR, IT and legal & professional) and other minor commercial activities were a net cost of £0.40M in 2020, (2019: £0.41M). Slightly offsetting this were £0.03M of R&D tax credit claims received in cash during the year (2019: nil).

Like many other organisations, our trading entities were severely impacted in 2020 by the COVID-19 pandemic and the associated lockdowns and travel restrictions. More details of the impact on each business are in the table following but overall trading turnover fell by 32% in 2020 to £6.7M (2019: £9.8M) and the operating result declined to a loss of £0.7M (2019: £0.7M profit) at budgeted exchange rates, after direct costs of £7.4M. This is different from the amounts shown in Note 3 to the accounts which show direct costs of only £6.8M due to foreign exchange differences on consolidation of the US dollar denominated US subsidiary and consolidation adjustments as the trading entities have some transactions with the charity, such as the Sheffield building, which is rented by PEP Ltd from the charity.

Figure 7: Commercial trading entities profit & loss trends 2012–2020 (£000s)



One Birdcage Walk

Our Venue Hire business, trading under the 'One Birdcage Walk' brand at our head office was severely impacted by the COVID-19 epidemic during 2020. The business ceased trading in mid-March, during the first national lockdown, and remained closed for the rest of the year. This was more severe than the expectations at the time of the 2019 annual report when a phased re-opening was expected from the autumn.

Consequently, against expectations of remaining profitable despite COVID-19 in last year's report, turnover fell 81% compared to 2019 to £0.25M (2019: £1.35M) with an operating loss of £0.04M (2019: £0.61M profit).

The venue hire business at Sheffield remained very small at around 3% of total venue hire revenue during 2020 as this building has been closed for venue hire for the same period.

The business remains closed at the time of signing, and the date of re-opening is very uncertain being dependent on the vaccine roll-out and other pandemic developments eg new variants of COVID-19.

The 2021 budget assumes a steady recovery from quarter 2, leading to a 113% increase in turnover to £0.54M and a small profit. However, the recent national lockdown makes this look very challenging and a result similar to 2020 is likely in 2021 as a return to more normal levels of activity is now expected to occur only very slowly.

Learning & Development

Our London-based training business was also severely impacted by the COVID-19 epidemic during 2020 with a combination of the extended closure of our London training location and our corporate customers barring entry of external trainers to their sites.

We have developed a considerable on-line training capability and some of the planned activity has migrated to this delivery method but, despite this, turnover decreased by 51% to £1.01M (2019: £2.05M) and the business delivered an operating loss of £0.19M (2019: £0.31M profit).

This downturn is despite making significant use of the government furlough scheme and there have been some staff reductions during the year to adjust to the lower level of activity.

The business is currently operating at below pre COVID-19 levels of activity but the budgeted 43% increase in sales and return to profitability, albeit at a low level, still looks achievable.

IMechE Argyll Ruane (IAR)

After a major turnaround from three years of losses to a small profit in 2019, and expectations of strong profit growth in 2020, COVID-19 also had a severe impact on business. The Sheffield training location closed for a number of weeks from mid-March, and students have returned only slowly during the year.

We also suffered from the closure for varying periods of many of our affiliated overseas exam centres for which we perform exam services.

Overall turnover declined 37% to £1.71M and the business slipped to a £0.37M loss (2019: £0.01M profit) despite significant cost cutting and making significant use of the government furlough scheme.

A modest recovery is expected in 2021 with a 14% budgeted increase in turnover to £1.95M. The business is exploring opportunities for both revenue generation and further costs savings but it is expected that a reduced loss will be made in 2021 before returning to profit in 2022. One of the confirmed opportunities is the opening of a new training facility in Scotland under the IMechE Fife NDT name in the first half of 2021.

Sonaspection

Sonaspection operates primarily in essential industries such as nuclear, oil and gas and heavy engineering which, after some initial disruption as COVID-safe working practices were quickly developed and implemented, returned to almost normal levels of activity.

Turnover fell 6% in 2020 to £3.50M reflecting lower activity in March and April at the beginning of the pandemic but higher margins and reduced overheads resulted in a 4% increase in operating profits to £0.27M (2019: £0.26M profit).

The upgrade of the manufacturing side of the Lancaster site was completed during the year and the increased space made establishing COVID-safe operations much easier.

The 2020 result reflects a high level of sales to the Hinkley Point C nuclear new build. That programme is coming to a conclusion during 2021 and sales to this customer will materially decline and, although partly offset by other business, a 15% decline in sales to £2.98M is expected in 2021. Despite this, cost control is expected to deliver stable profits.

BALANCE SHEET

Following a change of accounting policy, our investment in the Stephenson LLP is now reported separately from our listed investments as a mixed-motive investment and, due to the reliability of measurement, reported at market value rather than cost (see Note 25 for details of the change).

Through the Stephenson LLP fund, we invested in early stage innovation companies until November 2018, in line with our charitable aim of being an impulse to innovation. At the end of 2020, we had invested £1.8M in 11 companies (2019: also £1.8M in 11). The market value of these investments was £2.7M at the end of 2020 (2019: £3.4M), a decline of £0.7M (2019: £0.1M increase) due to provisions taken against some of the investments because of the impact of COVID-19 on their development plans. Further investment is now on hold, outside of the costs necessary to operate the fund for the remainder of its life.

Our listed investments declined to £18.3M (2019: £18.4M) due to sales of £0.1M to fund prizes and awards.

Following the COVID-19 outbreak, the Institution's investment portfolio initially fell as a result of the stock market falls around the world. Nevertheless, the Institution's investment policy, to hold investments in low to medium risk funds, and to diversify across different fund managers, helped to moderate these losses. By year end, the losses had been fully recovered, on average, across all the funds.

Intangible assets increased to £3.6M (2019: £2.7M) as we continued to invest in our digital modernisation programme. Further Digital Modernisation developments went live, triggering the start of amortisation, which increased sharply in 2020 and a further increase is likely in 2021 as further elements of the programme are implemented. 2020 is expected to be the peak year for investment in intangible assets with a decline in future years.

Tangible fixed assets decreased by £0.4M to £6.7M (2019: £7.1M). During the year, a full fixed asset register was created resulting in the recorded disposal of scrapped assets with an original cost of £6.1M but negligible book value.

Due primarily to declines in interest rates during the year (which increase the value of liabilities), significantly driven by the response of global central banks to the COVID-19 pandemic, the pension fund moved from a deficit of £2.6M in 2019 to a £9.5M deficit at the end of 2020. The sensitivity of this fund is such that a 0.5% reduction in interest rates leads to a £6.9M increase in pension liabilities. The aim of the Trustees of the Pension fund and the Institution is to transfer the total risk to an acceptable financial vehicle, such as an insurance company, in the medium-term, but this must be considered unfeasible in the current financial situation.

Due to the £6.9M overall decrease in funds, group reserves decreased to £23.4M from £30.2M in 2019. Excluding the volatile pension fund deficit, group reserves were stable at £32.9M. The Institution continues to remain financially sound. The Trustee Board is committed to maintaining financial prudence and, in particular, making an overall surplus and increasing free reserves.

DEGREE OF FINANCIAL DEPENDENCY

The Institution is dependent on the voluntary efforts of its members. However, there is no significant degree of dependence on any single member or small group of members in respect of voluntary effort or financial contributions.

Income from events and publications is also derived from a significant number of independent sources. However, the success of these activities is dependent on the general state of the economy.

GOING CONCERN

The Trustees have considered several factors in concluding that the adoption of a going concern basis in the preparation of these financial statements is appropriate. These factors have included a summary of the key risks and uncertainties in the context of the Institution's operations (including COVID-19) and a review of the budgets and forecasts, including cash flows and sensitivity analysis. The future forecast considers the mitigating actions the Institution has taken and considers both immediate liquidity and longer-term solvency, together with the impact on reserves.

Working capital requirements are met through a combination of income received from the Institution's activities, including commercial activities undertaken in the Institution's trading subsidiaries. The Institution has the ability to drawdown against funds held within the Institution's unrestricted investment portfolio if required. The Institution does not have any debt facilities but has, since year end, received £0.1M into the trading subsidiaries from the government bounce-back loan scheme.

The COVID-19 pandemic has had a significant, immediate impact on the Institution's operations. However, the cancellation of physical activities due to lockdown restrictions, discretionary cost saving measures, and utilising the support offered by the UK government through its Coronavirus Job Retention Scheme has meant that the Institution was able to deliver an overall operating surplus for 2020.

Membership income is a key income stream and the Institution continues to ensure the delivery of value of being a member to guard against any decline. Despite this, increased lapsing is seen as a heightened risk. The experience of 2020 has been incorporated into future forecasts.

As detailed above, Trustees have reviewed sensitivities and approved a 2021 budget to mitigate the future impact of the pandemic which includes cost saving measures and a potential drawdown on reserves.

Having regard to the above, the Trustees believe it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

SUMMARY OF FUNDS AND INVESTMENTS

GENERAL

A description of all the various funds included within the Institution's accounts is provided below.

INVESTMENT POLICY AND RETURNS

The Trustee Board has established an investment policy which is reviewed on an annual basis. The policy includes the following principles:

1. A diversity of investments will be held, in so far as is appropriate to the fund concerned. This may be achieved via a pooled investment vehicle like a unit trust or investment trust.
2. Investment policy will be appropriate to the needs of the fund.
3. Appropriately authorised investment managers will be employed.
4. Appropriately authorised nominees may be employed to hold individual stocks and shares. The investment managers work towards the following objectives:

RESERVE FUND, GENERAL TRUST & JAMES CLAYTON TRUST

Target asset allocations have been set for each fund with the objective of outperforming the relevant composite benchmark by 0.5% over rolling three-year periods. The composite benchmark being calculated using the asset allocations and an appropriate index for the asset class.

OTHER TRUSTS

Funds are invested in special pooled funds restricted to charity use. It is not appropriate to set individual objectives for these investments. However, performance is compared against statistics prepared by the Investment Management company.

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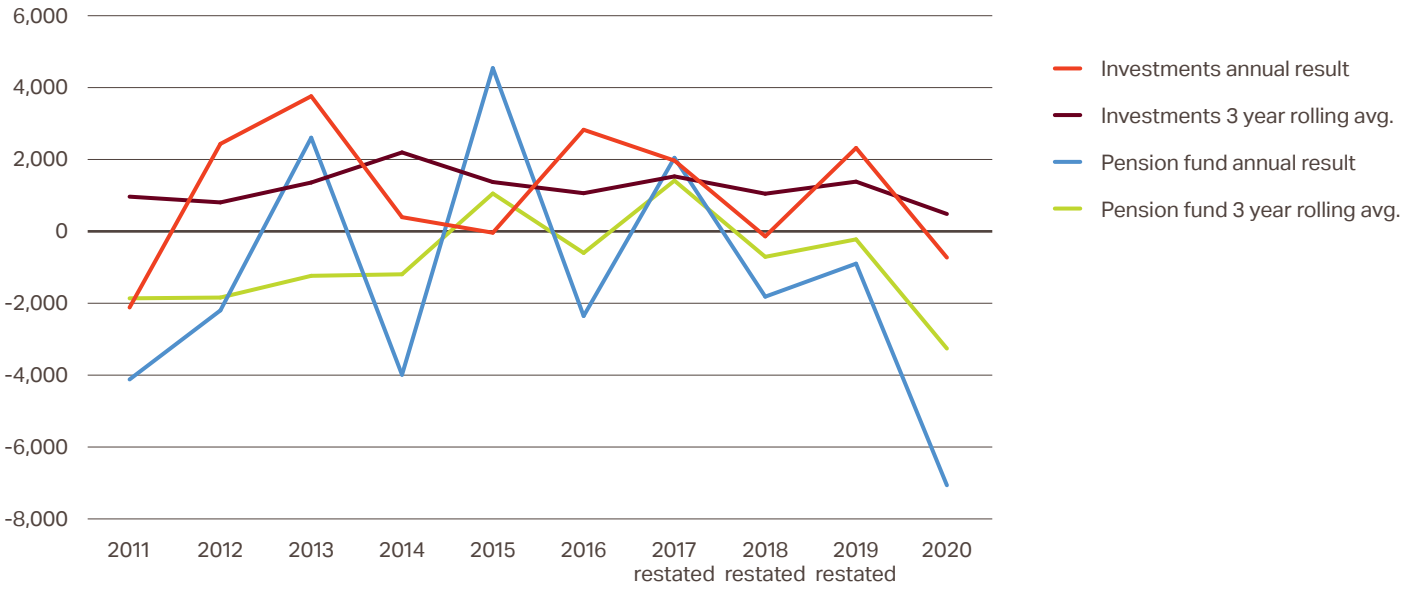
The Institution continues to remain financially sound. The Trustee Board is committed to maintaining financial prudence and, in particular, making an overall surplus and increasing free reserves.



A summary of the total annual rates of return (income and capital) achieved on investments during 2020 and 2019 is as follows:

	Year to 31.12.20 %	Year to 31.12.19 %
Reserve Fund	7.0	12.5
General Trust	7.1	12.7
James Clayton Trust	7.1	12.8
Charities Official Investment Fund income units	5.1	22.4
Whitworth Scholarships Fund – Charishare	(4.7)	5.1
Whitworth Scholarships Fund – Charinco	6.7	9.8

Figure 8: Investment and pension fund gains/losses trends 2011–2020 (£'000s)



STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF TRUSTEES' ANNUAL REPORT AND THE FINANCIAL STATEMENTS

Under the trust deed and rules of the charity and charity law, the Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Charity law requires the Trustees to prepare financial statements for each financial year. The Trustees have elected to prepare the financial statements in accordance with FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The group and charity's financial statements are required by law to give a true and fair view of the state of affairs of the group and the charity and of the group's excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the Trustees:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- State whether the financial statements comply with the trust deed and rules, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the charity will continue in business.

The Trustees are required to act in accordance with the trust deed and the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the Trustees to ensure that, where any statements of accounts are prepared by them under section 132(1) of the Charities Act 2011, those statements of accounts comply with the requirements of regulations under that provision. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities. The Trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

FUNDRAISING

The charity had no fundraising activities requiring disclosure under S162A of the Charities Act 2011.

DISCLOSURE OF INFORMATION TO AUDITOR

The Trustees who held office at the date of approval of this Trustees' Annual Report confirm that, so far as they are each aware, there is no relevant audit information of which the Institution's auditor is unaware; and each Trustee has taken all the steps that he/she ought to have taken as a Trustee to make himself/herself aware of any relevant information and to establish that the Institution's auditor is aware of that information. The financial statements have been prepared in accordance with the accounting policies set out in the notes to the accounts and comply with the charity's governing documents, the Charities Act 2015 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, published on 16 July 2014.

This annual report was approved by the Trustee Board on 14 May 2021 and was signed on its behalf by



Terry Spall
President



Phil Peel
Honorary Treasurer

INDEPENDENT AUDITOR'S REPORT TO TRUSTEES OF INSTITUTION OF MECHANICAL ENGINEERS

OPINION ON THE FINANCIAL STATEMENTS

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 2020 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.

We have audited the financial statements of Institution of Mechanical Engineers ("the Parent Charity") and its subsidiaries ("the Group") for the year ended 31 December 2020 which comprise the consolidated) statement of financial activities, the consolidated balance sheets, the consolidated statement of cash flows and notes to the accounts, 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).

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

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

The Trustees are responsible for the other information. The other information comprises the information included in the Trustee Board's Report other than the financial statements and our auditor's report thereon. The other information comprises the Trustees' Report. 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. 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 Act 2011 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
- adequate accounting records have not been kept by the Parent Charity; or
- the Parent Charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF TRUSTEES

As explained more fully in the Statement of Trustees' Responsibilities in respect of the Trustees' Annual Report and the 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 144 of the Charities Act 2011 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.

EXTENT TO WHICH THE AUDIT WAS CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the charity and the industry in which it operates, we identified that the principle laws and regulations that directly affect the financial statements to be relevant are the Charities Act in the UK, UK GAAP and tax legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

We considered the Parent Charity's own assessment of the risks that irregularities may occur either as a result of fraud or error. We also considered financial performance and key drivers for any performance targets. We also considered the risks of non-compliance with other requirements imposed by the Charity Commission and we considered to extent to which non –compliance might have a material effect of the financial statements.

In addition the charity is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We have identified the following areas as those most likely to have such as effect: employment law and data protection. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of Those Charged with Governance and other management as well as inspection of regulatory and legal correspondence if any.

Audit procedures performed by the engagement team included:

- Enquiry with management, staff and advisors in tax and compliance functions and Those Charged with Governance regarding known or suspected instances of non-compliance with laws and regulation and fraud;
- Enquiry of management and Those Charged with Governance around actual and potential litigation and claims;
- Reviewing minutes of meetings of Those Charged with Governance;
- Assessing the design and operating effectiveness of controls and procedures relevant to the preparation of the financial statements and the detection and prevention of irregularities and fraud;

- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Testing the transfer of data from the old finance system to the new finance system to verify the completeness and integrity of financial data;
- Identifying and testing the appropriateness of journal entries and other adjustments, with particular focus on unusual account combinations and postings by unexpected users or senior management;
- Challenging the assumptions and judgements made by management for key estimates, in particular the valuation of investments and assumptions used to value the defined benefit pension scheme;
- Reviewing performance related payments made to staff, with particular challenge as to whether individuals receiving such payments were able to influence the metrics used to determine amounts to be paid; and
- Incorporating unpredictability into our testing approach through amending the nature and extent of audit procedures.

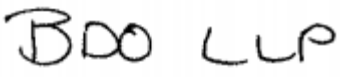
Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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 Act 2011. Our audit work has been undertaken so that we might state to the Charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity and the Charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



BDO LLP, statutory auditor
London, UK
Date: 14 May 2021

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).

Institution of Mechanical Engineers – Consolidated Statement of Financial Activities
Year ended 31 December 2020

	Notes	Unrestricted Funds	Restricted Funds	Endowment Funds	2020 Total	2019 restated Total
Income and Endowments from:		£'000	£'000	£'000	£'000	£'000
Donations and Legacies		72	–	–	72	17
Charitable Activities						
Membership Subscriptions		12,468	–	–	12,468	12,416
Groups, Divisions & Events		578	–	–	578	2,088
Professional Development		205	–	–	205	212
Information & Library Services		4	–	–	4	–
Apprentice End Point Assessment		411	–	–	411	199
Other trading activities						
Venue Hire, Training, Exam Services, Consultancy, Flawed Samples		6,461	–	–	6,461	9,760
Investments						
Interest & Dividends	14	139	495	–	634	613
Other						
Other Income	2	399	–	–	399	1,885
Rents Receivable		697	–	–	697	743
Total		21,434	495	–	21,929	27,933
Expenditure on:						
Raising funds						
Non-charitable Trading Activities		7,665	–	–	7,665	9,720
Investment Management Costs		–	9	–	9	9
Charitable Activities						
Groups, Divisions & Events		3,856	–	–	3,856	5,551
Marketing		1,769	–	–	1,769	1,774
Business Development		2,229	–	–	2,229	2,173
Apprentice End Point Assessment		455	–	–	455	298
Professional Development		826	–	–	826	1,173
Information & Library Services		787	–	–	787	759
Membership Subscriptions		2,345	–	–	2,345	2,750
Tenants & Public Facilities		506	–	–	506	502
Prizes, Awards and Scholarships		56	478	–	534	624
Total	3	20,494	487	–	20,981	25,333
Net gains/(losses) on investment assets	13/14	(663)	(169)	90	(742)	2,308
Net income/(expenditure)		277	(161)	90	206	4,908
Other recognised gains/(losses)						
Actuarial (losses) on defined benefit pension scheme	10	(7,081)	–	–	(7,081)	(912)
Net movement in funds		(6,804)	(161)	90	(6,875)	3,996
Reconciliation of funds						
Total funds brought forward, as previously stated	20	15,808	3,808	10,627	30,243	24,735
Opening balance adjustment	26	–	–	–	–	1,512
Total funds brought forward, as restated		15,808	3,808	10,627	30,243	26,247
Total funds carried forward	20	9,004	3,647	10,717	23,368	30,243

The notes to the accounts numbered 1 to 26 form part of these accounts

Statement of Financial Activities

Comparative information

	2019 Unrestricted Funds	2019 Restricted Funds	2019 Endowment Funds	2019 Total
	£'000	£'000	£'000	£'000
Total Income	27,440	493	–	27,933
Total expenditure	(24,700)	(633)	–	(25,333)
Net investment gains	375	444	1,489	2,308
Transfers between funds	–	184	(184)	–
Actuarial losses on defined benefit pension scheme	(912)	–	–	(912)
Net movement in funds	2,203	488	1,305	3,996

Institution of Mechanical Engineers – Consolidated Balance Sheets
Year ended 31 December 2020

	Notes	Group 2020 £'000	Group 2019 restated £'000	Institution 2020 £'000	Institution 2019 restated £'000
Fixed Assets					
Intangible assets	11	3,610	2,690	3,447	2,690
Tangible assets	12	6,697	7,141	5,919	6,240
Investments: mixed motive	13	2,679	3,397	2,679	3,397
Investments: listed	14	18,310	18,424	11,766	11,477
Total fixed assets		31,296	31,652	23,811	23,804
Current Assets					
Stocks	15	128	445	–	–
Debtors	16	2,556	3,466	7,434	10,228
Cash at bank and in hand		6,079	5,530	4,751	4,148
Total current assets		8,763	9,441	12,185	14,376
Liabilities					
Creditors: amounts falling due within one year	17	7,159	8,222	6,178	9,574
Net current assets or liabilities		1,604	1,219	6,007	4,802
Total assets less current liabilities		32,900	32,871	29,818	28,606
Net assets excluding pension liability		32,900	32,871	29,818	28,606
Defined benefit pension scheme liability	10	(9,532)	(2,628)	(9,532)	(2,628)
Net assets	20	23,368	30,243	20,286	25,978
The funds of the charity					
Endowment funds		10,717	10,627	6,864	6,540
Restricted income funds		3,647	3,808	786	757
Unrestricted funds		18,536	18,436	22,168	21,309
Pension reserves		(9,532)	(2,628)	(9,532)	(2,628)
Total unrestricted funds		9,004	15,808	12,636	18,681
Total charity funds	20	23,368	30,243	20,286	25,978

The consolidated statement of financial activities is for the Group as a whole. The Charity's total income for the year was £15,156k (2019: £18,073k). The Charity's total funds decreased by £5,692k in the year (2019: £2,370k increase)

The financial statements were approved by the Trustee Board on 14 May 2021 and were signed on its behalf by:



Terry Spall
President



Phil Peel
Honorary Treasurer

The notes to the accounts numbered 1 to 26 form part of these accounts

Charity registration Number: 206882

Institution of Mechanical Engineers – Consolidated Statement of Cash Flows
Year ended 31 December 2020

	Notes	2020	2019
		£'000	£'000
Cash flows from operating activities:			
Net cash provided by operating activities	23	1,753	1,853
Cash flows from investing activities:			
Dividends, interest and rent from investments	13	634	613
Purchase of property, plant and equipment	12	(583)	(738)
Proceeds from sale of property	23	–	1,885
Purchase of mixed motive investments	13	(43)	(115)
Purchase of intangible assets	11	(1,345)	(822)
Proceeds from sale of investments	14	118	81
Cash awaiting investment		15	(9)
Net cash (used in)/from investing activities		(1,204)	895
Change in cash and cash equivalents in the reporting period		549	2,748
Cash and cash equivalents at the beginning of the reporting period		5,530	2,782
Cash and cash equivalents at the end of the reporting period		6,079	5,530

The notes to the accounts numbered 1 to 26 form part of these accounts

Analysis of Net Funds

		Group	
	Balance 01.01.2020	Cash Flows	Balance 31.12.2020
	£'000	£'000	£'000
Cash awaiting investment	68	(15)	53
Cash at bank and in hand	5,530	549	6,079
	5,598	534	6,132

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2020

1. ACCOUNTING POLICIES

The Charity is registered with the Charity Commission (registered number: 206882), domiciled in the UK and is a public benefit entity and incorporated by Royal Charter in 1930. The address of the registered office is 1 Birdcage Walk, London, SW1H 9JJ

a) Basis of preparation

The Financial Statements have been prepared in accordance with the Charities SORP, FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and applicable UK charity law.

The Financial statements have been prepared to give a true and fair view and have departed from the charities (Accounts and Reports) Regulation 2008 only to the extent required to give a true and fair view. This departure has involved following 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 (FRS102) effective 1 January 2019 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

The annual accounts have been prepared on the historical cost basis of accounting, modified by the recognition of certain financial assets and liabilities measured at fair value.

b) Going Concern

The Trustees have considered several factors in concluding that the adoption of a going concern basis in the preparation of these financial statements is appropriate. These factors have included a summary of the key risks and uncertainties in the context of the Institution's operations (including COVID-19) and a review of the budgets and forecasts, including cash flows and sensitivity analysis.

The budgets and forecasts consider the mitigating actions the Institution can deploy and consider both immediate liquidity and longer term solvency, together with the impact on reserves.

Working capital requirements are met through a combination of income received from the Institution's activities, including commercial activities undertaken in the Institution's trading subsidiaries. The Institution has the ability to drawdown against funds held within the Institution's unrestricted investment portfolio if required. The Institution does not have any debt facilities.

The COVID-19 pandemic has had a significant, immediate impact on the Institution's operations. A key risk is in relation to the returns from commercial operations which have been impacted by social distancing requirements. The government guidelines introduced in March resulted in the cancellation of training, events and venue hire programmes both within the charity and the trading subsidiaries where the buildings closed for extended periods or customers have cancelled events. Some activities have now restarted, although generally at a lower level than before the pandemic. Other trading activity has not been significantly impacted.

1. ACCOUNTING POLICIES (CONTINUED)

b) Going Concern (continued)

Membership income is a key income stream and the Institution continues to ensure the delivery of value of being a member to guard against any decline here although increased lapsing is seen as an increased risk. This has been incorporated into the budgets reflecting the experience of 2020.

As detailed above, Trustees have reviewed sensitivities and approved a revised forecast to mitigate the impact of the pandemic which includes cost saving measures, utilising the support offered by the UK government through its Coronavirus Job Retention Scheme and a potential drawdown on reserves.

Having regard to the above the Trustees believe it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

c) Basis of consolidation

Consolidated figures for the Institution and group companies (see note 2 to the accounts) have been included in these financial statements for the year ended 31st December 2020. Companies acquired by the group are consolidated on an acquisition basis ie fair values are attributed to the Group's share of the net tangible assets and where the cost of acquisition (being the fair value of the purchase consideration and the expenses of the acquisition) is greater than the fair values attributable to such net assets, the difference is treated as goodwill.

d) Income

Income is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. No amounts are included in these financial statements for the services donated by volunteers.

With the exception of Membership Income, all income is included in the SOFA when the Institution is legally entitled to the income and the amount can be quantified with reasonable accuracy.

Pecuniary legacies are recognised when probate is in place. Residuary legacies are recognised when probate is granted, a copy of the will has been received to confirm the Institution's entitlement, and there is sufficient information to value them. In practice this is usually when the assets and liabilities statement is received. Reversionary interests involving a life tenant and contentious legacies are not recognised.

Membership subscription income is accounted for on the basis of the amount receivable for the year. Accordingly, the amounts received during the year in relation to future years are deferred. Members who join in the final quarter of the year are not charged subscriptions by the Institution for that year. The annual subscription payment received is treated as relating entirely to the following year and is deferred.

Income from contracts for the provision of professional services (Professional Development, Information & Library Services, Apprentice end-point assessment, Venue Hire, Training, Exam Services, Consultancy, Flawed Samples categories) is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. When the outcome cannot be estimated reliably, income is recognised only to the extent of the expenses recognised that are recoverable.

1. ACCOUNTING POLICIES (CONTINUED)

d) Income (continued)

Income from events is recognised on the basis of the amount receivable in the period in which the event takes place. Income from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, the amount can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity.

e) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation is calculated so as to write off the cost of fixed assets on a straight line basis at the following rates:

Freehold buildings: Building improvements	2% on original purchases, 4% on improvements per annum
Leasehold buildings: Building improvements lease if quicker per annum	2% or over the period of the
Furniture and equipment:	20% to 33.3% per annum
Plant and equipment:	10–20% per annum

Freehold land is not depreciated.

Fixed assets are regularly reviewed to consider whether they have been impaired and to ensure that the depreciation costs reflect their working life. Expenditure below £1,000 is not capitalised.

f) Goodwill

Goodwill represents the excess of the cost of acquisition of incorporated and unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill shall be considered to have a finite useful life, and shall be amortised on a systematic basis over its economic life of five years.

Where there are indications of impairment, an impairment review is undertaken to assess a recoverable amount, which considers a service potential and not cash flows.

g) Website and Digital Transformation costs

Website costs are capitalised when it is probable that the expected future economic benefits that are attributable will flow to the Group and their costs can be reliably measured. Website and Digital Transformation costs are initially recognised at cost and amortised over the expected useful life of five years.

h) Impairment of tangible and intangible assets

At each reporting end date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

1. ACCOUNTING POLICIES (CONTINUED)

h) Impairment of tangible and intangible assets (continued)

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in SOFA, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

i) Financial assets

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS102 to all of its financial instruments.

Financial assets are recognised in the company's statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

j) Financial Liabilities

Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Other financial liabilities classified as fair value through profit or loss are measured at fair value.

1. ACCOUNTING POLICIES (CONTINUED)

k) Investments

Listed investments are stated at market value, valued at their bid price, at the balance sheet date.

It is the Group's policy to keep valuations of stock exchange listed investments up to date, such that when investments are sold there is no gain or loss arising relating to prior years. As a result the statement of financial activities does not distinguish between the valuation adjustments relating to sales and those relating to continued holdings, as they are together treated as changes in the value of the investment portfolio throughout the year. Investments not listed on a recognised stock exchange are valued at fair value, unless there is no reliable basis of valuation, in which case they are valued at cost.

Mixed-motive investments
The Institution formed a limited partnership with Stephenson LP in February 2014 to make venture capital investments into a portfolio of Companies involved in or associated with young innovative engineering businesses. This investment has a genuine mixed motive because investment is being made both for financial return but also to advance engineering. The investment is held at fair value based on the most recent share sale prices of the underlying investments, less any impairment. If there is objective evidence of impairment, then an immediate impairment loss is recognised in the statement of financial activities.

l) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to Statement of Financial Activities.

m) Expenditure

Expenditure is included in the Statement of Financial Activities on a accruals basis and is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

n) Stocks

Stock classified as finished goods per sale are stated at the lower cost and net realisable value using FIFO method. Cost comprises direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Work-in progress is assessed on an individual basis based on the stage of completion of the contract which is estimated using combination of the milestones in the contract and the time spent to date compared to the total time expected to be required to undertake the contract. Estimates of the total time required to undertake the contracts are made on a regular basis and subject to management review. These estimates may differ from the actual results due to a variety of factors such as efficiency of working, accuracy of assessment of progress to date and client decision making.

1. ACCOUNTING POLICIES (CONTINUED)

n) Stocks (continued)

See note 15 for the disclosure of the amount of work in progress as at the balance sheet date. Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

o) Retirement benefit

The Charity operates a defined benefit pension scheme which was closed to new members in 2002 and is also closed to future accrual. It also operated a defined contribution scheme open to existing staff.

Defined benefit pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability.

For the defined benefit pension scheme scheme, the current service costs, gains and losses on settlements and curtailments, and administrative costs are charged to expenditure. They are included as part of staff costs. Actuarial gains and losses are recognised immediately in 'Other recognised gains/(losses)'

For the defined contribution scheme, the amounts charged to expenditure in respect of pension costs and the post-retirement benefits are the contributions payable in the year.

p) Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over the hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the statement of financial activities over the periods of the leases and hire purchase contracts are included as liabilities in the balance sheet.

q) Critical accounting estimates and judgements

In the application of the accounting policies, the Trustees are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. Judgements and estimates are also required for the allocation of support costs to the expenditure headings in the statement of financial activities, as set out in Note 3. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities have been outlined on the following page:

1. ACCOUNTING POLICIES (CONTINUED)

q) Critical accounting estimates and judgements (continued)

Unlisted investments
The Group makes an estimate of the fair value of unlisted investments based on the last price paid for shares and subject to an impairment review for any material changes in circumstance since the last share sale.

Actuarial assumptions in respect of defined benefit pension schemes
The application of actuarial assumptions relating to defined benefit pension schemes is incorporated in the financial statements in accordance with FRS102. In applying FRS102, advice is taken from independent qualified actuaries. In this context, significant judgement is exercised in a number of areas, including future changes in salaries and inflation, mortality rates and the selection of appropriate discount rates.

Bad debt provision
The Group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtors, the aging profile of debtors and historical experience.

r) Reserves

Unrestricted funds are those available for application against any of the charity's objectives. Restricted funds are those only available for certain purposes defined by the provider of the original funds. Permanent endowment funds are those where the original gift may not be spent, only any income on those funds, which is placed into a related restricted fund. Expendable endowment funds are those where both the income and the original capital may be spent.

s) Taxation

As a charity the Institution is exempt from Corporation tax. The tax expense represents the sum of the corporation tax currently payable and deferred tax in the commercial subsidiaries. The companies liabilities for current tax are calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

t) Heritage assets

Heritage assets comprise:

- printed books
- archives
- works of art and artefacts.

Additions to heritage assets are made by donation. Reliable and relevant information on the cost of many of the assets is therefore not readily available and there is a lack of comparable market values. As such, none of these assets are recognised in the accounts. Moreover, the Trustees do not consider that a reliable estimate of the fair value can be obtained without incurring costs that would exceed the benefits provided.

2. NET INCOMING RESOURCES

The consolidated results for the Institution are presented in the statement of financial activities. These include the activity of the parent charity, The Institution of Mechanical Engineers, and the activities of its 100% owned subsidiaries, as detailed below. The incoming resources of the Institution alone for 2020 were £14,941k (2019: £15,894k), and resources expended in 2020 were £13,393k (2019: £15,477k).

Other income

	2020	2019
	£'000	£'000
Government grants – furlough scheme	394	–
Sales of consumables	5	–
Profit on the disposal of fixed assets	–	1,885
	399	1,885

Subsidiary Companies

Professional Engineering Projects Ltd, a wholly owned subsidiary, registered in England and Wales (Reg N 01103638), was established by the Institution as an organisation from which it could conduct the majority of its publishing activities, including the magazines that are made available to members. Whilst this main trade was disposed of during 2010, the company continues to carry on trading in non-charitable activities, mainly provision of training to engineers.

The company also has four wholly owned subsidiary companies, IMechE Services Ltd (Reg N 01361114), IMechE Fife NDT Limited (Reg N 01917207), Siantonas Ball Ltd (Reg N 01655732), Sonaspection Worldwide Limited (Reg N 04891363), all registered in England and Wales, which carry on non-charitable trading activities. These activities are consolidated on a line by line basis with the relevant amounts described as "Other non-charitable trading activities" under Incoming Resources and Resources Expended in the Consolidated Statement of Financial Activities. Both IMechE Fife NDT Limited (previously IMechE Engineering Training Solutions Limited) Limited and Siantonas Ball Ltd became dormant on 1st January 2014. Since year end, IMeche Fife NDT Limited has become active again as the legal entity through which PEP's new training facility in Scotland has been established.

Sonaspection Worldwide has two wholly owned subsidiary companies, Sonaspection International Limited (Reg N 02050101) registered in England and Wales and Sonaspection Incorporated registered in the United States of America, which carry on non-charitable activities. These activities are consolidated on a line by line basis with the relevant amounts described as "Other non-charitable trading activities" under Incoming Resources and Resources Expended in the Consolidated Statement of Financial Activities.

The whole of the issued share capital of Professional Engineering Projects Ltd (£2) is held by nominees on behalf of the Institution. A summary of the company's consolidated profit and loss account is shown below. Audited accounts are filed with the Registrar of Companies for the individual companies. These figures are subject to the adjustments mentioned above prior to their incorporation in the Consolidated Statement of Financial Activities.

The Whitworth Scholarships Fund, registered charity No. 313756, was established in 1868 under a deed of covenant and trust between Sir Joseph Whitworth and the then President of the Committee of Council on Education. The Fund is now governed under the terms of a Scheme made by the Charity Commissioners for England and Wales dated 11 December 2001, with the Institution of Mechanical Engineers as the controlling entity.

2. NET INCOMING RESOURCES (CONTINUED)

The objects of the Fund are to promote education in all engineering disciplines with a preference for mechanical engineering through the award of scholarships to: suitably qualified applicants to enable them to study engineering, with a preference for mechanical engineering, at any establishment approved by the trustee; and prizes for solutions to real problems encountered in the workplace by engineers following an accredited programme of work-based training.

Subsidiary Companies 2020

	PEP	Sona Intl	Sona Inc	IMechE Services	Total
	£'000	£'000	£'000	£'000	£'000
Turnover	2,962	2,702	776	–	6,440
Cost of sales	(877)	(1,541)	(915)	–	(3,333)
Gross profit	**2,085**	**1,161**	**(139)**	**–**	**3,107**
Distribution costs	–	(43)	–	–	(43)
Administration costs	(3,336)	(702)	(27)	(3)	(4,068)
Interest payable to the Institution	(114)	–	–	–	(114)
Other income	266	13	–	–	279
Dividends receivable	300	–	–	–	300
Profit/(loss) on ordinary activities before tax	**(799)**	**429**	**(166)**	**(3)**	**(539)**
Taxation	39	43	–	–	82
Dividends payable	–	(300)			(300)
Profit/(loss) for the year	**(760)**	**172**	**(166)**	**(3)**	**(757)**
Total assets	4,307	2,201	338	74	6,920
Total liabilities	(7,238)	(373)	(534)	(96)	(8,241)
Total funds	(2,931)	1,828	(196)	(22)	(1,321)

Subsidiary Companies 2019

	PEP	Sona Intl	Sona Inc	IMechE Services	Total
	£'000	£'000	£'000	£'000	£'000
Turnover	6,045	2,736	1,155	–	9,936
Cost of sales	(1,935)	(1,639)	(754)	–	(4,328)
Gross profit	**4,110**	**1,097**	**401**	**–**	**5,608**
Distribution costs	–	(65)	–	–	(65)
Administration costs	(3,696)	(603)	(227)	(22)	(4,548)
Interest payable to the Institution	(60)	–	–	–	(60)
Profit/(loss) on ordinary activities before tax	**354**	**429**	**174**	**(22)**	**935**
Taxation	(77)	(58)	–	–	**(135)**
Profit/(loss) for the year	**277**	**371**	**174**	**(22)**	**800**
Total assets	5,193	2,831	307	75	8,406
Total liabilities	(7,363)	(1,175)	(337)	(94)	(8,969)
Total funds	(2,170)	1,656	(30)	(19)	(563)

3. EXPENDITURE

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to that category. For administrative purposes the Institution is divided into a number of directorates and then subdivided into departments. Accounting records permit the costs and revenues of all departments to be determined accurately. The classification of costs in the Consolidated Statement of Financial Activities utilises this information to show expenditure broken-down into broad functional areas. Where costs cannot be directly attributed to a particular heading, they have been allocated to activities on the basis of headcount and floor area.

Total expenditure 2020

	Direct Costs	Allocated Support Costs	Total
	£'000	£'000	£'000
Raising Funds			
Non-Charitable Activities	6,724	941	7,665
Investment Management Costs	9	–	9
Charitable Activities			
Marketing & Policy	984	785	1,769
Group, Divisions & Events	2,482	1,374	3,856
Business Development	1,117	1,112	2,229
Apprentice End Point Assessment	392	63	455
Professional Development	368	458	826
Information & Library Services	513	274	787
Membership Subscriptions	1,036	1,309	2,345
Tenants & Public Facilities	–	506	506
Prizes, Awards & Scholarships	534	–	534
Total resources expended	**14,159**	**6,822**	**20,981**

Total expenditure 2019

	Direct Costs	Allocated Support Costs	Total
	£'000	£'000	£'000
Raising Funds			
Non-Charitable Activities	8,759	961	9,720
Investment Management Costs	9	–	9
Charitable Activities			
Marketing & Policy	1,085	689	1,774
Group, Divisions & Events	3,885	1,666	5,551
Business Development	1,311	862	2,173
Apprentice End Point Assessment	243	55	298
Professional Development	598	575	1,173
Information & Library Services	515	244	759
Membership Subscriptions	1,601	1,149	2,750
Tenants & Public Facilities	–	502	502
Prizes, Awards & Scholarships	624	–	624
Total resources expended	**18,630**	**6,703**	**25,333**

3. EXPENDITURE (CONTINUED)

2020

	Governance & Management	Finance	Information Technology	Facilities & Depreciation	Defined Benefit Pension Charge	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Non-Charitable Activities	140	180	272	349	–	941
Marketing	250	96	161	243	35	785
Groups, Divisions & Events	438	169	282	426	59	1,374
Business Development	354	137	228	344	49	1,112
Apprentice End Point Assessment	21	8	13	21	–	63
Professional Development	146	56	94	142	20	458
Information & Library Services	83	32	54	93	12	274
Membership Subscriptions	417	161	268	405	58	1,309
Tenants & Public Facilities	–	–	–	506	–	506
Total	1,849	839	1,372	2,529	233	6,822
Basis of allocation	Headcount	Headcount	Headcount	Floor area	Headcount/ Floor area	

2019

	Governance & Management	Finance	Information Technology	Facilities & Depreciation	Defined Benefit Pension Charge	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Non-Charitable Activities	140	180	292	349	–	961
Marketing	219	111	149	179	31	689
Groups, Divisions & Events	528	269	362	433	74	1,666
Business Development	273	139	187	224	39	862
Apprentice End Point Assessment	18	9	12	16	–	55
Professional Development	182	92	126	149	26	575
Information & Library Services	73	37	50	74	10	244
Membership Subscriptions	364	185	250	299	51	1,149
Public Facilities – Birdcage Walk	–	–	–	502	–	502
Total	1,797	1,022	1,428	2,225	231	6,703
Basis of allocation	Headcount	Headcount	Headcount	Floor area	Headcount/ Floor area	

For comparison purposes 2019 expenditure has been revised across expenditure categories following a review of the use of support costs by different activities this year and a subsequent change in the methodology for allocating these costs.

4. TAXATION

The Institution is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable trust for UK income tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Part 10 Income Tax Act 2007 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. The charity's trading subsidiaries are subject to corporation tax.

5. TRANSACTIONS WITH MEMBERS OF THE TRUSTEE BOARD

Neither the Trustees, nor any person connected with them, receive remuneration.

	2020	2019
	£'000	£'000
Travel and subsistence expenses	18	22
	No.	No.
Number of members reimbursed	6	12

All Trustee costs are reimbursements to Trustees for costs incurred in fulfilling their duties. The 2020 total includes £9k of exceptional subsistence expenses incurred due to the COVID-19 lockdown which were subsequently reclaimed through an Institution insurance policy.

6. INDEMNITY INSURANCE

	2020	2019
	£'000	£'000
Indemnity insurance premiums paid	21	23

During 2020 the Institution paid for three insurance policies, covering professional indemnity, the liabilities of trustees and "directors and officers" liabilities. Cover applies to the Trustee Board, ordinary members involved with Institution affairs and employees, including directors of subsidiary companies.

7. STAFF

	2020	2019
Average numbers of staff employed throughout the year	No.	No.
The Institution of Mechanical Engineers	128	125
Professional Engineering Projects Limited	49	43
Sonaspection International Limited	16	16
Sonaspection Incorporated	6	7
Total employees	199	191

8. EMPLOYMENT COSTS

	2020	2019
	£'000	£'000
Salaries and benefits	8,567	7,987
Employer's social security costs	777	834
Employer's pension costs	456	446
Total employment costs	9,800	9,267

8. EMPLOYMENT COSTS (CONTINUED)

The numbers of employees whose emoluments, excluding employer's pension contributions, exceeded £60,000 are analysed as follows:

	2020	2019
	No.	No.
£60,001–£70,000	13	11
£70,001–£80,000	4	8
£80,001–£90,000	5	2
£90,001–£100,000	3	4
£100,001–£110,000	1	1
£110,001–£120,000	1	–
£120,001–£130,000	–	1
£150,001–£160,000	–	1
£160,001–£170,000	1	–
£180,001–£190,000	–	1
£190,001–£200,000	1	–
Total	29	29

26 of the above employees (2019: 26) are members of the defined contribution scheme and none (2019: nil) are active members of the defined benefit scheme. The Institution contributed £152,281 as employer pension contributions (2019: 179,470) for these members into the defined contribution scheme.

During the year key management received remunerations and benefits of £675,101 (2019: £634,194). The remuneration of key management consists of salary, pension contributions and benefits in kind.

Number of Directors in 2020: 4 (2019: 4)

Highest paid director – Dr Colin Brown (2020 and 2019)

	2020	2019
	£'000	£'000
Salary	159	156
Benefits	26	25
Bonus	12	5
Total	197	186

The charity designated four directors as key management personnel.

10 employees were made redundant during the year (2019: 10). The cost of redundancies of £154,458 was paid during 2020 (2019: £211,608). Included within the previous costs were ex-gratia costs of £54,671 payable to 7 people (2019: £72,214 to 10 people).

9. AUDITOR'S REMUNERATION

	2020	2019
	£'000	£'000
Fees for the audit of these financial statements	45	52
Fees for the audit of other group companies	27	–
Fees in relation to the prior year audit	–	56
Tax fees payable to auditors	–	5
Total	72	113

10. PENSIONS

The Institution operates a defined benefit scheme. A full actuarial valuation was carried out and updated to 31 December 2020, by a qualified independent company of actuaries. The major assumptions used by the actuary are detailed within this note to the financial statements. The scheme was closed to new members with an effective date of 5 September 2002, and is closed to future accrual.

A defined contribution pension plan has been established for employees who are not eligible to join the defined benefit pension scheme. The Institution has agreed to match employee contributions to the defined contribution plan up to a maximum of 10% of salary. There is an outstanding contribution at the end of the financial year of £90,184 (2019: £81,167).

The pension cost charge for the period represents contributions payable by the Institution to the defined contribution pension plan and amounted to £411,000 (2019: £446,000).

Assumptions

	2020	2019
Price inflation, (RPI)	3.00	3.00
Pension increases	2.50	2.00
Salary increases	3.50	3.50
Return on assets	*	*
Discount rate	1.30	2.10

*Equal to the discount rate (in line with FRS102)

Mortality assumptions used in 2019 and 2020 are based upon the S1PxA tables adjusted to reflect the broad wealth characteristics of each member. Future improvements are assumed to be in line with the CMI projection model, assuming improvements have peaked. The long term improvement is assumed to be 1.25% p.a. (2019: 1.25% p.a.), declining at older ages.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

	2020	2019
Male currently age 40–45	88.8	88.7
Female currently age 40–45	91.2	91.0
Male currently age 65	87.4	87.3
Female currently age 65	89.7	89.5

10. PENSIONS (CONTINUED)

Movements in present value of defined benefit obligation

	2020	2019
	£'000	£'000
At 1 January	58,644	53,069
Current service cost	180	180
Interest cost	1,215	1,513
Actuarial (gains)/losses	9,767	5,859
Benefits and expenses paid	(1,790)	(1,977)
At 31 December	68,016	58,644

Movements in fair value of plan assets

	2020	2019
	£'000	£'000
At 1 January	56,016	51,174
Interest on assets	1,162	1,462
Employer Contributions	410	410
Return on plan asset less interest	2,686	4,947
Benefits and expenses paid	(1,790)	(1,977)
At 31 December	58,484	56,016

Analysis of Amount Credited/(Charged) in SOFA

	2020	2019
	£'000	£'000
	(180)	(180)
Current service cost	(180)	(180)

Analysis of Pension Finance (Cost) / Income in SOFA

	2020	2019
	£'000	£'000
Interest on obligation	(1,215)	(1,513)
Interest on scheme assets	1,162	1,462
Net cost	(53)	(51)
Amount (Charged)/Credited to SOFA (Total operating charge less net return)	233	231

Sensitivity of the value placed on the liabilities

Adjustments to assumptions	Approximate effect on liabilities
Discount rate decreased by 0.5% p.a.	+£6,901,000
Inflation increased by 0.5% p.a.	+£3,524,000
Long term rate of mortality improvement increased to 1.5% p.a.	+£875,000

10. PENSIONS (CONTINUED)

Analysis of Gains / (Losses) Recognised in SOFA

	2020	2019
	£'000	£'000
Actuarial gains/(losses) on pension scheme assets	2,686	4,947
Change in impact of asset ceiling	–	–
Actuarial (losses)/gains on obligation	(9,767)	(5,859)
Actuarial (loss)/gain in Pension Scheme	(7,081)	(912)
Actuarial (loss)/gain in pension plan recognised in SOFA	(7,081)	(912)

Movement in Deficit During Year

	2020	2019
	£'000	£'000
Deficit in scheme at 1 January	(2,628)	(1,895)
Current service cost	(180)	(180)
Employer contributions	410	410
Net return	(53)	(51)
Actuarial gain/(loss)	(7,081)	(912)
Deficit in scheme at 31 December	(9,532)	(2,628)

History of Experience Gains and Losses

	2020	2019	2018	2017	2016
	£'000	£'000	£'000	£'000	£'000
Experience adjustments on scheme asset	2,686	4,947	(4,046)	3,251	6,798
Present value of scheme assets	58,484	56,016	51,174	56,248	53,262
Experience adjustment on scheme liabilities	(9,767)	(5,859)	1,981	(988)	236
Present value of scheme liabilities	68,016	58,644	53,069	56,020	55,241
Deficit/surplus in scheme	(9,532)	(2,628)	(1,895)	–	(1,979)

The deficit shown in the accounts reflects the methodology and assumptions required to be used for accounting purposes. A separate actuarial valuation for the purposes of determining funding requirements is currently underway with an effective date of 31 December 2020, and the resulting deficit may be different. As part of the valuation process the Institution expects to agree revised future funding arrangements with the pension scheme Trustees over the course of 2021.

The Company expects to contribute approximately £410,000 to its defined benefit plans in the next financial year.

11. FIXED ASSETS – INTANGIBLE ASSETS

	Goodwill	Website & DM costs	Total
Group	£'000	£'000	£'000
Cost			
At 1 January 2020	5,232	3,203	8,435
Additions	–	1,345	1,345
Re-classifications from tangible	–	151	151
At 31 December 2020	5,232	4,699	9,931
Amoritisation			
At 1 January 2020	5,232	513	5,745
Amortisation charged	–	576	576
At 31 December 2020	–	1,089	6,321
Net Book Value			
At 31 December 2020	–	3,610	3,610
At 1 January 2020	–	2,690	2,690

	Website & DM costs	Total
Institution	£'000	£'000
Cost		
At 1 January 2020	3,188	3,188
Additions	1,234	1,234
At 31 December 2020	4,422	4,422
Depreciation		
At 1 January 2020	498	498
Amortisation charged	477	477
At 31 December 2020	975	975
Net Book Value		
At 31 December 2020	3,447	3,447
At 1 January 2020	2,690	2,690

Website and Digital Modernisation Programme, Platform costs

The intangible assets for the Institution are represented by Website and Digital Modernisation (DM) costs. The website development was completed in March 2016 and began being amortised from April. The DM projects started to come into use during 2019 although there are significant amounts still in development. Both website and DM costs were purchased and developed by the Institution.

12. FIXED ASSETS – TANGIBLE ASSETS

	Land & Property	Furniture & Equipment	Motor Vehicles	Total
	£'000	£'000	£'000	£'000
Group cost				
At 1 January 2020	10,271	8,159	33	18,463
Additions	405	178	–	583
Disposals/movements	30	(6,134)	(33)	(6,137)
Transfers to intangible assets	–	(151)	–	(151)
At 31 December 2020	10,706	2,052	–	12,758
Depreciation				
At 1 January 2020	4,441	6,848	33	11,322
Disposals/write-off	(171)	(5,875)	(33)	(6,079)
Amount charged	403	415	–	818
At 31 December 2020	4,673	1,388	–	6,061
Net Book Value				
At 31 December 2020	6,033	664	–	6,697
At 1 January 2020	5,830	1,311	–	7,141

	Land & Property	Furniture & Equipment	Total
	£'000	£'000	£'000
Institution cost			
At 1 January 2020	10,067	5,603	15,670
Additions	202	79	281
Disposals/movements	2	(4,716)	(4,714)
At 31 December 2020	10,271	966	11,237
Depreciation			
At 1 January 2020	4,273	5,157	9,430
Disposals/movements	1	(4,701)	(4,700)
Amount charged	372	216	588
At 31 December 2020	4,646	672	5,318
Net Book Value			
At 31 December 2020	5,625	294	5,919
At 1 January 2020	5,794	446	6,240

Transfers and reclassifications relates to certain assets which had previously been included in the incorrect category in error.

The Institution's head office at One Birdcage Walk is included in Land and Property above at its depreciated historical cost. The Trustees believe that its open market value is significantly in excess of this historical cost based on carrying value.

The Institution owns the freehold of One Birdcage Walk and its head office. Whilst part of the building is let out to third parties, the entire property is accounted for within tangible fixed assets at cost less depreciation as the areas rented cannot be separately disposed.

12. FIXED ASSETS – TANGIBLE ASSETS (CONTINUED)

Heritage assets

The Institution holds a collection of heritage assets which relate to the history of the Institution itself and the wider history of mechanical engineering as well as a specialist engineering library collection.

The collection is broadly split into the following categories:

Printed works: The Institution has the one of the strongest specialist engineering libraries in the UK, holding unparalleled physical collections relating to mechanical engineering and comprising over 90,000 titles. These range from very early works such as Theatrum instrumentorum et machinarum, published in 1578, to extensive scarce nineteenth- and early twentieth-century works to current reference works and British Standards. Subjects covered include fluid mechanics, tribology, combustion engines, automotive engineering, environment and emissions, risk and reliability, energy, machine tools and pressure vessels.

Archives: The archive collection dates from 1726 and is comprised of documents, volumes, engineering drawings, digital files and an extensive photographic collection relating to engineers, engineering firms and engineering products. The collection also includes the business and administrative records of the Institution of Mechanical Engineers as well as the Institution of Locomotive Engineers and the Institution of Automobile Engineers.

Works of art and artefacts: The collection is comprised of over 50 portraits and busts of prominent engineers including many former Presidents of the Institution and over 100 artefacts including models, instruments and personal items of engineers.

The Institution's collections are managed by the Information and Library Service according to the relevant professional standards for each format of material. Expenditure which in the Trustees' view is required to preserve or clearly prevent deterioration of individual collection items is recognised in the income and expenditure account when it is incurred.

There have been no donations, additions or disposals of heritage assets in the last five years.

13. INVESTMENTS – MIXED MOTIVE

	2020		2019 Restated	
	Cost	Market Value	Cost	Market Value
	£'000	£'000	£'000	£'000
Group and Institution				
Analysis of Investments – UK				
Stephenson LLP	1,808	2,679	1,765	3,397

	2020	2019
	£'000	£'000
Movement of Investments		
Market value at 1 January	3,397	3,162
Acquisitions	43	115
Net investment (loss)/gain	(761)	120
Market value at 31 December	2,679	3,397
Unrealised investment gain at 31 December	861	1,632

14. FIXED ASSETS – INVESTMENTS

	2020		2019 Restated	
	Cost	Market Value	Cost	Market Value
	£'000	£'000	£'000	£'000
Group				
Analysis of Investments – UK				
Fixed Interest Unit Trusts	170	642	170	621
Equities Unit Trusts	1,312	5,903	1,312	6,326
Charities Official Inv. Fund Income Units	1,066	3,067	1,066	2,883
Cash	53	53	68	68
Property – let on 999 year lease	9	9	9	9
	2,610	9,674	2,625	9,907
Multi-Asset Funds	7,818	8,636	7,925	8,517
Total Investments	10,428	18,310	10,550	18,424

Analysis of Funds and Ranges	2020		2019	
	Cost	Market Value	Cost	Market Value
Reserve Fund – Unrestricted				
Free range	3,034	3,270	3,039	3,188
Whitworth Scholarships Fund				
Restricted	819	2,691	819	2,860
Endowment	663	3,853	663	4,087
	1,482	6,544	1,482	6,947
General Trust				
Wider range	3,384	3,819	3,482	3,820
Charities Official Inv. Fund Income Units	–	–	–	–
	3,384	3,819	3,482	3,820
James Clayton				
Wider range	1,453	1,600	1,473	1,577
Special – property	9	9	9	9
	1,462	1,609	1,482	1,586
Education & Research				
Charities Official Inv. Fund Income Units	829	2,362	829	2,220
Sundry Small Trusts				
Charities Official Inv. Fund Income Units	237	706	237	663
	10,428	18,310	10,551	18,424

The above figures refer to investments held by the Group, the figures for the Institution exclude the investments held by the Whitworth Scholarships Fund.

The investments of the Reserve Fund, General Trust and James Clayton Trust are managed by Schroder & Co Ltd. Investments of the Whitworth Scholarships Fund are managed by Blackrock Investment Management (UK) Ltd. The let property is part of the James Clayton Trust Fund and was included as part of assets left to the Institution in the will of the late James Clayton. A summary of the investment powers can be found in the Administrative Details section.

The carrying value of investments in subsidiaries amounted to £2.

14. FIXED ASSETS – INVESTMENTS (CONTINUED)

	2020	2019
	£'000	£'000
Movement of investments		
Market value at 1 January – as previously reported	18,356	17,899
less: Stephenson LLP at cost	–	(1,650)
Market value at 1 January – restated	18,356	16,249
Sales proceeds	(118)	(81)
Net investment gain/(loss)	19	2,188
Market value (excluding cash) at 31 December	18,257	18,356
Cash awaiting investment	53	68
Total market value at 31 December	18,310	18,424
Historic cost at 31 December	(10,428)	(10,550)
Unrealised investment gain at 31 December	7,882	7,874

	2020	2019
Interest & Dividends		
	£'000	£'000
Dividends receivable from unit trusts	634	613

All the dividend and loan stock interest arises from the investments detailed above.

15. STOCKS

	2020	2019
Group only	£'000	£'000
Work in progress	28	338
Finished goods and goods for resale	100	107
	128	445

16. DEBTORS

	Group		Institution	
	2020	2019	2020	2019
Amount due within 1 year:	£'000	£'000	£'000	£'000
Trade debtors	1,254	2,261	489	338
Other debtors incl VAT, other taxes	358	605	352	807
Prepayments and accrued income	944	600	734	471
Amounts due from group companies	–	–	738	3,491
	2,556	3,466	2,313	5,107
Amount due after more than 1 year:				
Loans due from group companies	–	–	5,121	5,121
	2,556	3,466	7,434	10,228

Loans from group companies are charged interest at a rate of 2% above the National Westminster Bank base rate.

17. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Institution	
	2020	2019	2020	Restated 2019
	£'000	£'000	£'000	£'000
Trade creditors	882	722	739	621
Other creditors	297	582	439	377
Amounts due to group companies	–	–	–	2,959
Accruals	1,047	1,189	686	982
Taxation and social security	227	246	–	–
	2,453	2,739	1,864	4,939
Deferred income	4,706	5,483	4,314	4,635
Total Creditors	7,159	8,222	6,178	9,574

Deferred income represents the value of membership subscriptions, property rents, contract income,and event income received in respect of the next calendar year

For consistency with the group disclosure, the 2019 Institution disclosure has been updated to separately disclose accruals of £982k, which were previously reported within other creditors.

Reconciliation of deferred income

	Group		Institution	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Balance at 1 January	5,483	5,175	4,635	4,218
Amount released to income	(5,483)	(5,175)	(4,635)	(4,218)
Amount deferred in the year	4,706	5,483	4,314	4,635
Balance at 31 December	4,706	5,483	4,314	4,635

18. OPERATING LEASE COMMITMENT

The operating lease charges represent leasehold leases from 3rd parties. The leases are negotiated over terms of 10 years and rentals are fixed for two years. All leases include a provision for five-yearly upward rent reviews according to prevailing market conditions. Next rent review is 2021. The total of future minimum lease payments under non-cancellable operating leases for each of the following periods is:

	2020	2019
	£'000	£'000
Within one year	71	69
Between one and five years	296	276
Over five years	268	345

19. ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

Group	Unrestricted	Endowment	Restricted	2020 Total
	£'000	£'000	£'000	£'000
Fund balances at 31 December 2020 are represented by:				
Intangible fixed assets	3,610	–	–	3,610
Tangible fixed assets	6,697	–	–	6,697
Investments: listed	3,273	12,313	2,724	18,310
Investments: social	2,679	–	–	2,679
Current assets and liabilities	2,277	(1,596)	923	1,604
Defined benefit pension scheme liability	(9,532)	–	–	(9,532)
	9,004	**10,717**	**3,647**	**23,368**

	Unrestricted	Endowment	Restricted	Restated 2019 Total
Fund balances at 31 December 2019 are represented by:	£'000	£'000	£'000	£'000
Intangible fixed assets	2,690	–	–	2,690
Tangible fixed assets	7,141	–	–	7,141
Investments: listed	3,186	12,214	3,024	18,424
Investments: social	3,397	–	–	3,397
Current assets and liabilities	2,022	(1,587)	784	1,219
Defined benefit pension scheme liability	(2,628)	–	–	(2,628)
	15,808	**10,627**	**3,808**	**30,243**

Institution	Unrestricted	Endowment	Restricted	2020 Total
	£'000	£'000	£'000	£'000
Fund balances at 31 December 2020 are represented by:				
Intangible fixed assets	3,447	–	–	3,447
Tangible fixed assets	5,919	–	–	5,919
Investments: listed	3,273	8,460	33	11,766
Investments: social	2,679	–	–	2,679
Current assets and liabilities	6,850	(1,596)	753	6,007
Defined benefit pension scheme liability	(9,532)	–	–	(9,532)
	12,636	**6,864**	**786**	**20,286**

	Unrestricted	Endowment	Restricted	Restated 2019 Total
Fund balances at 31 December 2019 are represented by:	£'000	£'000	£'000	£'000
Intangible fixed assets	2,690	–	–	2,690
Tangible fixed assets	6,240	–	–	6,240
Investments: listed	3,186	8,127	164	11,477
Investments: social	3,397	–	–	3,397
Current assets and liabilities	5,796	(1,587)	593	4,802
Defined benefit pension scheme liability	(2,628)	–	–	(2,628)
	18,681	**6,540**	**757**	**25,978**

20. CAPITAL & INCOME FUNDS – ANALYSIS

Provided below is an analysis of the various funds included in these financial statements:

	Restated Balance 01.01.2020*	Incoming Resources	Resources Expended	Gains & (Losses)	Balance 31.12.2020
	£'000	£'000	£'000	£'000	£'000
Group					
Unrestricted Funds – restated					
Institution, Reserve Fund & PEP Ltd	15,808	21,434	(20,494)	(7,744)	9,004
Restricted Funds					
Whitworth Scholarships Fund	3,051	187	(208)	(169)	2,861
General Trust (includes legacy)	–	155	(139)	–	16
James Clayton Trust	89	65	(49)	_	105
Trust for Education & Research	406	68	(84)	–	390
Sundry small trusts	262	20	(7)	–	275
	3,808	495	(487)	(169)	3,647
Endowment Funds					
Whitworth Scholarships Fund	4,087	–	–	(234)	3,853
General Trust	2,629	–	–	96	2,725
James Clayton Trust	1,490	–	–	44	1,534
Trust for Education & Research	1,953	–	–	142	2,095
Sundry small trusts	468	–	–	42	510
	10,627	–	–	90	10,717
Total Funds	30,243	21,929	(20,981)	(7,823)	23,368

*See FY19 note on p.89

	Restated Balance 01.01.2020*	Incoming Resources	Resources Expended	Gains & (Losses)	Balance 31.12.2020
	£'000	£'000	£'000	£'000	£'000
Institution					
Unrestricted Funds					
Institution, Reserve Fund	18,681	14,848	(13,149)	(7,744)	12,636
Restricted Funds					
General Trust (includes legacy)	–	155	(139)	–	16
James Clayton Trust	89	65	(49)	–	105
Trust for Education & Research	406	68	(84)	–	390
Sundry small trusts	262	20	(7)	–	275
	757	308	(279)	–	786
Endowment Funds					
General Trust	2,629	–	–	96	2,725
James Clayton Trust	1,490	–	–	44	1,534
Trust for Education & Research	1,953	–	–	142	2,095
Sundry small trusts	468	–	–	42	510
	6,540	–	–	333	6,864
Total Funds	25,978	15,156	(13,428)	(7,420)	20,286

*See FY19 note on p.90

20. CAPITAL & INCOME FUNDS – ANALYSIS (CONTINUED)

The restricted and endowment funds mainly comprise a number of trusts established by deed, holding resources set aside to provide prizes and awards to recognise achievement and generally foster progress in mechanical engineering. The restricted funds represent the income and expenditure of each trust and the endowment funds the capital held to generate investment income. The Trustee Board acts as sole corporate trustee. The majority of the funds held originate from legacies and lifetime gifts donated to commemorate the achievements of prominent engineers. The General Trust and Trust for Education & Research were established with the agreement of the Charity Commissioners to aggregate the resources of a large number of smaller trusts with similar aims. The James Clayton Trust and some smaller trusts (for reasons of convenience totalled in the sundry category above) have more specific objectives and could not be included in the two main trusts. The Whitworth Scholarships Fund was originally established in 1868, with the trusteeship being transferred from the UK Government in December 2001.

	Balance 01.01.2019	Restatement (note 26)	Restated Balance 01.01.2019	Incoming Resources	Resources Expended	Gains & (Losses)	Transfers	Balance 31.12.2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Group								
Unrestricted Funds								
Institution & Reserve Fund & PEP Ltd	12,700	905	13,605	27,440	(24,700)	(537)	–	15,808
Restricted Funds								
Whitworth Scholarships Fund	2,304	262	2,566	199	(158)	444	–	3,051
General Trust (includes legacy)	–	(39)	(39)	147	(295)	–	187	–
James Clayton Trust	133	(23)	110	60	(81)	–	–	89
Trust for Education & Research	336	100	436	67	(97)	–	–	406
Sundry small trusts	249	(2)	247	20	(2)	–	(3)	262
	3,022	298	3,320	493	(633)	444	184	3,808
Endowment Funds								
Whitworth Scholarships Fund	3,725	(262)	3,463	–	–	624	–	4,087
General Trust (includes legacy)	2,299	213	2,512	–	–	301	(184)	2,629
James Clayton Trust	1,364	–	1,364	–	–	126	–	1,490
Trust for Education & Research	1,262	354	1,616	–	–	337	–	1,953
Sundry small trusts	363	4	367	–	–	101	–	468
	9,013	309	9,322	–	–	1,489	(184)	10,627
Total Funds	24,735	1,512	26,247	27,933	(25,333)	1,396	–	30,243

20. CAPITAL & INCOME FUNDS – ANALYSIS (CONTINUED)

	Balance 01.01.2019	Restatement (note 26)	Restated Balance 01.01.2019	Incoming Resources	Resources Expended & Transfers	Gains & (Losses)	Transfers	Restated Balance 31.12.2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Institution								
Unrestricted Funds								
Institution & Reserve Fund	14,446	2,549	16,995	17,779	(15,556)	(537)	–	18,681
Restricted Funds								
General Trust (includes legacy)	–	–	(39)	147	(295)	–	187	–
James Clayton Trust	–	–	110	60	(81)	–	–	89
Trust for Education & Research	–	–	436	67	(97)	–	–	406
Sundry small trusts	–	–	247	20	(2)	–	(3)	262
	456	298	754	294	(475)	–	184	757
Endowment Funds								
General Trust (includes legacy)	–	–	2,512	–	–	301	(184)	2,629
James Clayton Trust	–	–	1,364	–	–	126	–	1,490
Trust for Education & Research	–	–	1,616	–	–	337	–	1,953
Sundry small trusts	–	–	367	–	–	101	–	468
	7,194	(1,335)	5,829	–	–	865	(184)	6,540
Total Funds	22,096	1,512	23,608	18,073	(16,031)	328	–	25,978

21. TRUST & PRIZE FUND INDIVIDUAL ACCOUNTS

General Trust
Benefactors Comprise

James Bates
Thomas Bernard Hall
Horace Bedford
Herbert Edward Hancocke
Charles Sharpe Beecher
Francis Hewlett
William Bennett
Lord Hinton of Bankside
Joseph Bramah
Shirley Nelson Howe
T H Carr
Robert Herbert Innes
Thomas Andrew Common
Kenneth Harris James
Gresham Cooke
Anne Labrow
Winifred Smart Crabtree
Olive Mary Main
George Curry
Ernest William Moss
Bernard Incledon Day
The Reactionaries
Bryan Donkin
Charles Howard Readman
H V Disney
William Sweet Smith
A H Duncan
A M Strickland
Christian Peter Dunkel
Clifford S Steadman
John Edward Elliott
Thomas Stephen
James Moir Forbes
Thatcher Bros.
Sir Hugh Ford
Fredrick Barnes Waldron
Winifred Foreman
Edwin Walker
Andrew Fraser
Neil Watson
Thomas Lowe Gray
Viscount Weir
Donald Julius Groen
Frau May Borner Wylie

Trust for Education and Research
Benefactors and Predecessor Trusts Comprise

John F Alcock Memorial Prize
Carl Louis Breedon
Henry Stacey Cattermole
Engineering Applied to Agriculture
Filtration
M M Flatman
Thomas Hawksley
Hele-Shaw National Certificate
Mrs P M Lowery
Manville Bequest Scholarship
E May
Ludwig Mond
F G Moore
Arthur Morley Higher National Diploma
John Player Lectureship
Raymond Coleman Prescott Scholarship
Meritorious
Alastair Graham-Bryce
Frank Radcliffe
Alfred Rosling Bennett Premium
Clarence Noel Goodall
Charles S Lake
Rover Midlander
T A Stewart Dyer
Fredrick Harvey Trevithick
Sir Seymour Briscoe Tritton
Stanley Herbert Whitelegg
Safety Award in Mech. Engineering
Starley Premium
George Stephenson Research
Herbert Ackroyd Stuart
The Students Aid
Water Arbitration
Willans Premium William Alexander Agnew
L Marson
Margaret Winifred Astridge

The above trust funds are under the trusteeship of the Institution of Mechanical Engineers. Because of the limited space available, the information presented is, of necessity, brief. If you would like more details, please contact the Secretary to the Trustee Board Awards Committee.

22. RELATED PARTY TRANSACTIONS

	2020	2019
	£'000	£'000
Institution		
Amounts due from/(to) Professional Engineering Projects Limited	574	2,643
Amounts due from/(to) IMechE Services Limited	94	94
Amounts due from/(to) Sonaspection International Limited	70	–
Loan due from Professional Engineering Projects Limited	5,121	5,121
All amounts are considered to be repayable on demand during the year except the loan due from Professional Engineering Projects Limited, which has a 53 week notice period for repayment		
Transactions with Professional Engineering Projects Limited	22	359
Transactions with IMechE Services Limited	(1)	15
Transactions with Sonaspection International Limited	70	708
Professional Engineering Projects Limited		
Amounts due from/(to) Siantonas Ball Limited	(233)	(233)
Amounts due from/(to)IMechE Fife NDT Limited	(731)	(731)

Helena Rivers, originally elected as a Trustee on 24 May 2017, is also a director at AECOM. The Institution has charged a fee to AECOM for MPDS accreditation visits for a number of years now. Fees charged were £500 for the year ended 31 December 2020 (2019: £570). There was no balance outstanding as at 31 December 2020 (31 December 2019: £570).

Dr Helen Hudson (nee Meese), a Former Trustee (resigned 10 May 2020), is also a director at The Care Machine Ltd. The Institution has been invoiced for commissioned work for the Marketing Department for a number of years. Invoices received totalled £7,517 for the year ended 31 December 2020 and £6,350 for the year ended 31 December 2019. A balance outstanding as at 31 December 2020 of £NIL and 31 December 2019 of £1,500.

Neil Kelly is a Director of Sonaspection International Limited appointed on 29th June 2020, who's close related family member is the owner of Kelly Contracting. Kelly Contracting provide electrical material and labour and have been providing a service for a number of years. Kelly Contracting charged £4,246 during the year to 31 December 2020 (2019: £645). Kelly Contracting has a balance payable as at 31 December 2020 of £21 (31 December 2019: nil).

23. RECONCILIATION OF NET INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2020	2019
	£'000	£'000
Net income for the reporting period (as per the statement of financial activities)	206	4,788
Proceeds from sale of property	–	(1,885)
Adjustments for:		
Loss on disposal of tangible fixed assets	58	–
Amortisation	576	245
Depreciation charges	818	755
Dividends & interest	(634)	(613)
Decrease in debtors	910	1,023
(Decrease) in creditors	(1,063)	(94)
Decrease in stocks	317	1
(Gain)/losses on investments	742	(2,188)
Net cash provided by operating activities before pension scheme costs	1,930	2,032
Increase in Defined benefit pension scheme costs	(177)	(179)
Net cash provided by operating activities	1,753	1,853

24. FINANCIAL INSTRUMENTS

	Group		Institution	
	2020	2019 restated	2020	2019 restated
	£'000	£'000	£'000	£'000
Financial assets measured at amortised cost	7,979	8,749	6,216	10,325
Financial liabilities measured at amortised cost	2,226	2,493	2,550	4,939
Financial assets measured at fair value	20,989	21,821	14,445	14,874

25. CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES 2019 RESTATED

	Notes	Unrestricted Funds	Restricted Funds	Endowment Funds	Restated 2019 Total	Restated 2018 Total
Income and Endowments from:		£'000	£'000	£'000	£'000	£'000
Donations and Legacies		17	–	–	17	208
Charitable Activities						
Membership Subscriptions		12,416	–	–	12,416	11,888
Groups, Divisions & Events		2,088	–	–	2,088	2,248
Professional Development & Membership		212	–	–	212	162
Information & Library Services		–	–	–	–	5
Marketing & Regional		199	–	–	199	203
Other trading activities						
Venue Hire, Training, Learning & Development		9,760	–	–	9,760	7,981
Publishing Royalties		–	–	–	–	2
Investments						
Interest & Dividends	13	120	493	–	613	606
Other						
Other Income	23	1,885	–	–	1,885	–
Rents Receivable		743	–	–	743	684
Total		27,440	493	–	27,933	23,987
Expenditure on:						
Raising funds						
Non-charitable Trading Activities		9,720	–	–	9,720	10,307
Investment Management Costs		–	9	–	9	16
Charitable Activities						
Marketing & Policy		1,774	–	–	1,774	5,910
Groups, Divisions & Events		5,551	–	–	5,551	2,389
Business Development		2,173	–	–	2,173	–
Apprentice End Point Assessment		298	–	–	298	2,380
Professional Development		1,173	–	–	1,173	1,023
Information & Library Services		759	–	–	759	1,892
Membership Subscriptions		2,750	–	–	2,750	1,489
Tenants & Public Facilities		502	–	–	502	729
Prizes, Awards and Scholarships		–	624	–	624	674
Total	3	24,700	633	–	25,333	26,809
Net gains/(losses) on investment assets	13	375	444	1,489	2,308	(154)
Net income/(expenditure)		3,115	304	1,489	4,908	(2,976)
Transfers between funds	18	–	184	(184)	–	–
Other recognised gains/(losses)						
Actuarial gains/(losses) on defined benefit pension scheme	10	(912)	–	–	(912)	(1,831)
Net movement in funds		2,203	488	1,305	3,996	(4,807)
Reconciliation of funds						
Total funds brought forward	18	13,605	3,320	9,322	26,247	31,054
Total funds carried forward	18	15,808	3,808	10,627	30,243	26,247

The note references above relate to those of the consolidated Statement of Financial Activities 2019 as issued last year.

26. PRIOR YEAR ADJUSTMENT

Investments in the Stephenson LLP, a mixed-motive investment, were previously reported at cost. As the valuation of these investments is now considered reliable they have now been reported at market value and prior year values and movements have been restated accordingly.

In addition, mixed-motive investments are now reported as a separate class of fixed assets, Investments: Mixed-motive (Note 13), rather than being included within the overall investments class, which has now been rename Investments: Listed (Note 14).

Restatement of Investments

	2019	2018	2017
	£'000	£'000	£'000
Listed investments at market value, as previously reported	20,189	17,958	22,496
less: Stephenson LLP previous value at cost	1,765	1,650	1,400
Restated listed investments at market value	18,424	16,308	21,096
Stephenson LLP – restated at market value	3,397	3,162	1,569
Stephenson LLP – unrealized investment gain	1,632	1,512	169
Gains/(losses) on investments – previously reported	2,188	(1,497)	
Gain on Stephenson LLP	120	1,343	
Restated gains/(losses) on investments	2,308	(154)	

A number of transfers between funds were identified relating to previous years which had not been posted correctly in the individual fund accounts. This did not change total funds but did change the distribution between endowment, restricted and unrestricted. These have been corrected and prior balances restated.

26. PRIOR YEAR ADJUSTMENT (CONTINUED)

Restatement of Funds

	Previously Reported Balance 01.01.2019	Funds Transfers Restatement	Stephenson LLP Restatement	Restated Balance 01.01.2019	Previously Reported Funds Movement	Gains and (Losses) Restatement	Funds Transfers Restatement	Restated Balance 31.12.2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Group								
Unrestricted funds	12,700	(607)	1,512	13,605	1,936	120	147	15,808
Restricted funds	3,022	298	–	3,320	7	–	481	3,808
Endowment funds	9,013	309	–	9,322	1,933	–	(628)	10,627
	24,735	–	1,512	26,247	3,876	120	–	30,243
Institution								
Unrestricted funds	14,446	1,037	1,512	16,995	1,419	120	147	18,681
Restricted funds	456	298	–	754	(34)	–	37	757
Endowment funds	7,194	(1,335)	–	5,859	865	–	(184)	6,540
	22,096	–	1,512	23,608	2,250	120	–	25,978

	Previously Reported Balance 01.01.2018	Stephenson LLP Restatement	Restated Balance 01.01.2018	Previously Reported Funds Movement	Gain on Stephenson LLP	Funds Transfers Restatement	Restated Balance 31.12.2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Group							
Unrestricted funds	16,233	169	16,402	(3,533)	1,343	(607)	13,605
Institution							
Unrestricted funds	19,693	169	19,862	(5,247)	1,343	1,037	16,995

ADMINISTRATIVE DETAILS

Name
The Institution of Mechanical Engineers

Address of principal office
1 Birdcage Walk, Westminster, London, SW1H 9JJ

Charity registration numbers
The charity registration number of the Institution and subsidiary prize and award funds is 206882. The number for the Whitworth Scholarships Fund is 313756.

Governing document and constitution
The Institution was founded in 1847 and was incorporated by Royal Charter in 1930. Copies of the Royal Charter and By-Laws are available from the Trustee Department at the London address.

Trustees
The Trustee Board comprises the President, President-Elect, four Vice-Presidents, an International Vice-President and five or more ordinary members. All Trustees are elected by the Corporate and Associate Membership of the Institution. Trustees are required to retire after a maximum of 3 years in post.

Trustees met 8 times for Board Meetings supported by the Executive team during 2020 (2019: 8)

The names of those who served as Trustees during the year and at the date of approval of this document are as follows:

	Number of meetings attended	Number of meetings in session
H A Clarke (due to retire 24 May 2023)	7	8
R C East (elected 22 May 2019, retires 26 May 2021)	6	8
P Flinn (due to retire 25 May 2022)	8	8
M P J Garside (due to retire 25 May 2022)	8	8
G S Hartill (retires 26 May 2021)	8	8
R G Hodgkinson (due to retire 25 May 2022)	8	8
Professor J A McGeough (elected 22 May 2019, retired 27 May 2020)	3	3
Dr H M Meese (resigned 10 May 2020)	2	2
Professor D Nowell (due to retire 25 May 2022)	8	8
R O'Brien (elected 27 May 2020, due to retire 24 May 2023)	5	5
P J Peel (due to retire 25 May 2022)	8	8
V Raman (elected 27 May 2020, due to retire 24 May 2023)	8	8
H C Rivers (due to retire 24 May 2023)	8	8
T Spall (elected 22 May 2019, retires 26 May 2021)	8	8
S M Suleyman (retired 27 May 2020)	2	3

Elected' and 'retired' relate to the normal transition of Trustees at the beginning and end of their periods of elected office. 'Appointed' and 'resigned' relate to other changes outside this normal process.

Administrative Details (continued)

Chief Executive:
Dr Colin Brown

Key Management Personnel:

This includes the Chief Executive and three directors:

Finance and Commercial Director – Sean Fox

Human Resources Director – Bims Alalade

Membership Operations Director – Joanna Horton

Professional advisers

Auditor:

BDO LLP, Baker Street, London W1U 7EU

Bankers:

National Westminster Bank PLC, PO Box 113, Cavell House,
2A Charing Cross Road London, WC2H 0PD
CAF Bank Ltd, 25 Kings Hill Avenue, Kings Hill, West Malling, Kent ME19 4JQ

Investment managers:

Schroder & Co Limited, 12 Moorgate, London, EC2R 6DA
Blackrock Investment Management (UK) Limited, 33 King William Street,
London EC4R 9AS
CCLA Investment Management Limited, 80 Cheapside, London, EC2V 6DZ

Solicitors:

Bristows, 100 Victoria Embankment London, EC4Y 0DH
Mills & Reeve LLP, Botanic House, 1 Hills Road, Cambridge CB2 1PH

Pension advisers:

Barnett Waddingham LLP, Decimal Place, Chiltern Avenue, Amersham HP6 5FG
Lane, Clark & Peacock LLP, 95 Wigmore Street, London, W1U 1DQ

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Institution of Mechanical Engineers

1 Birdcage Walk
Westminster
London SW1H 9JJ

T +44 (0)20 7973 1293
F +44 (0)20 7222 8553

media@imeche.org
imeche.org