

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% [△]
	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.

△ 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).

ENGINEERS ARE CHANGING OUR WORLD. BE A PART OF THE REINVENTION.

Institution of
**MECHANICAL
ENGINEERS**

Join the professional engineering institution for the future. Be inspired by our expert, innovative and evolving global community.



imeche.org



Improving the world through engineering



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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.

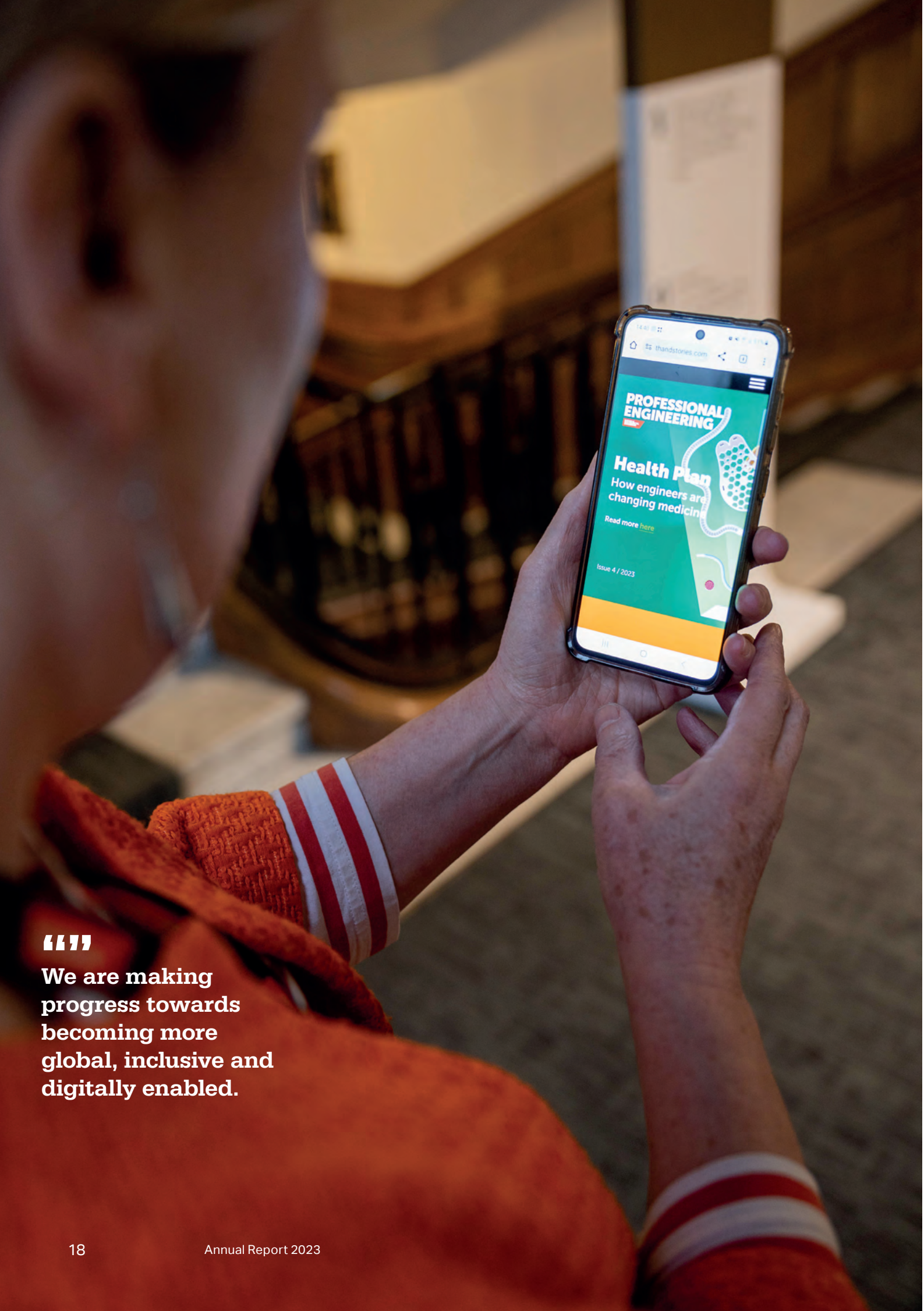
Expertise

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.



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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.

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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**

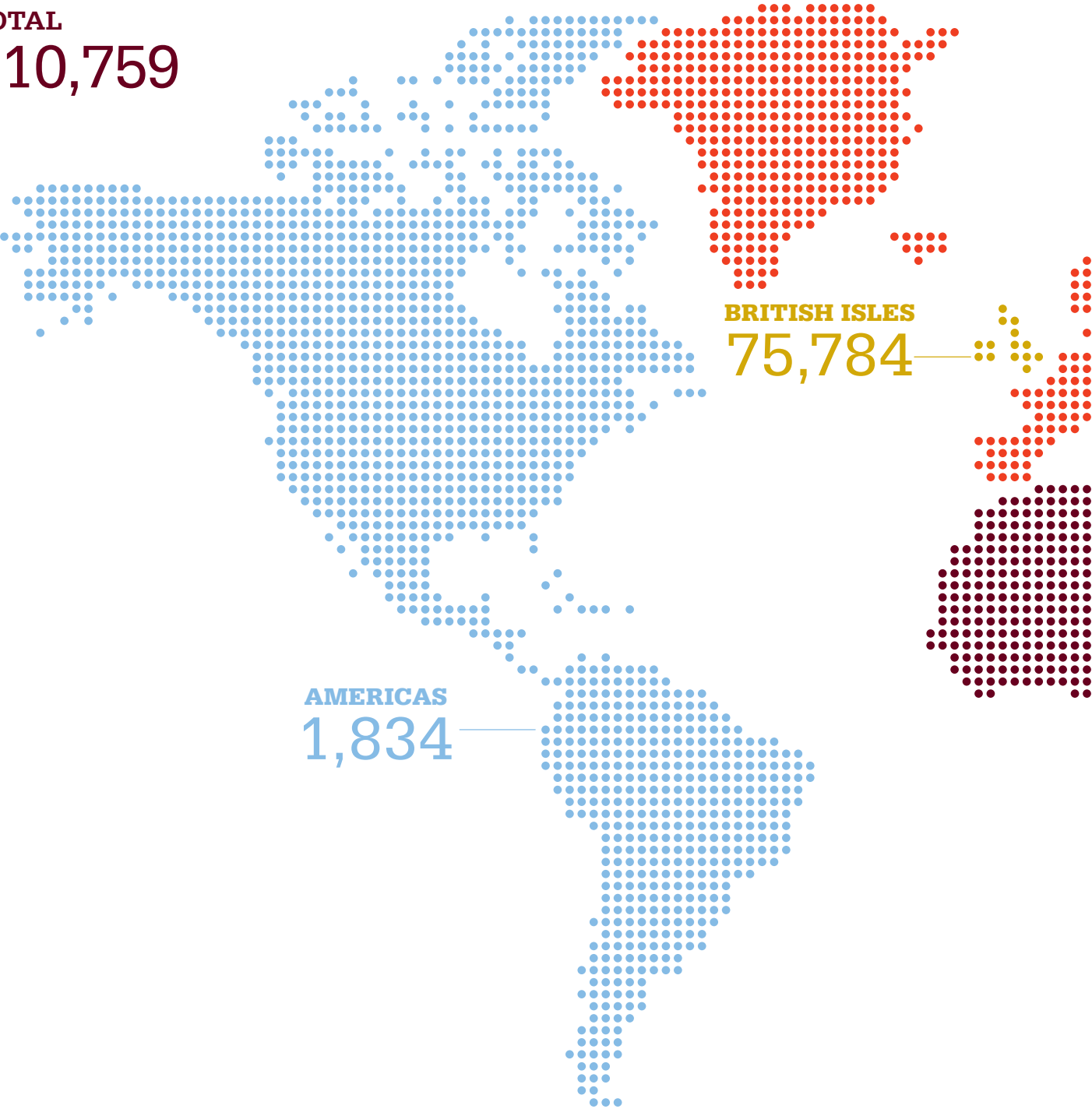
These Task and Finish groups include representatives from all senior Boards within the Institution to ensure a representative selection of the membership.

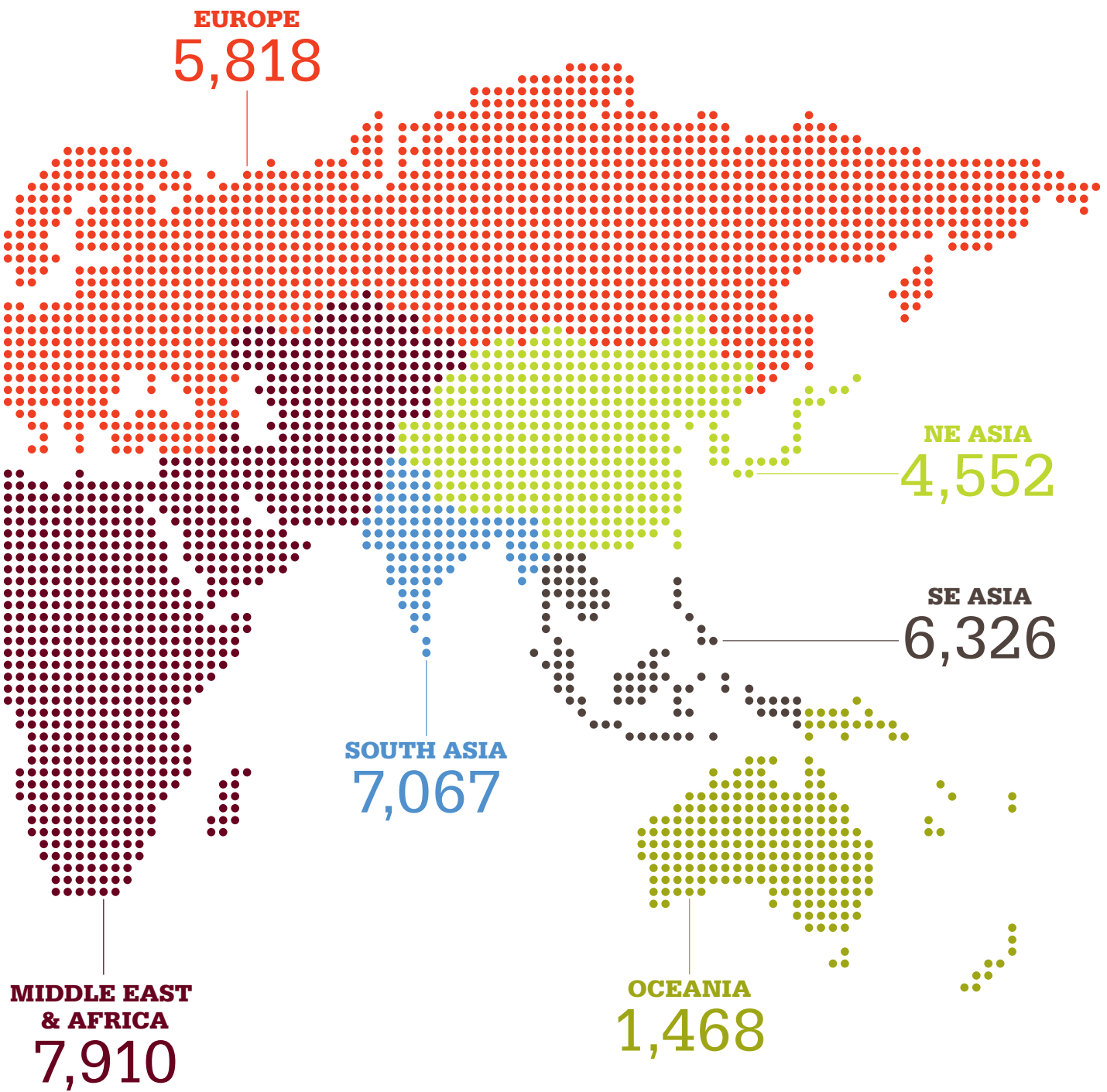
The IMechE Operations Group meets monthly and is already making good progress. A second summit meeting is scheduled for 2024, with a report to be issued to the Institution's membership following that meeting.

Global Membership

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

TOTAL
110,759





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



Diversity and 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.



Gender pay gap

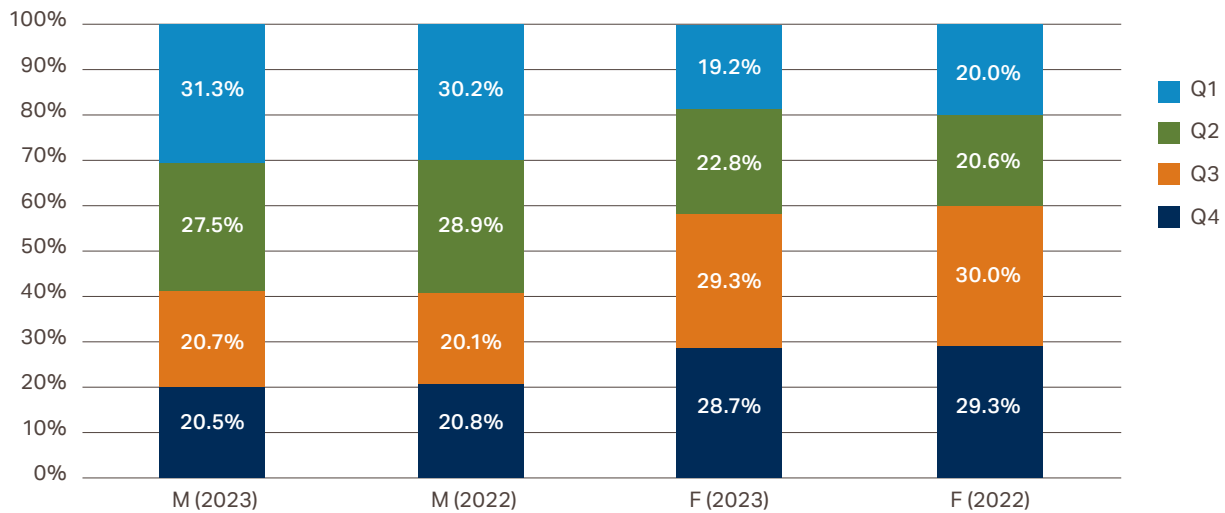
The Institution employs fewer than the requisite of 250 employees and does not have to publish gender pay gap information. However, as part of its commitments to its values and to demonstrate transparency, we have made the decision to publish gender pay gap information annually.

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.

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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.

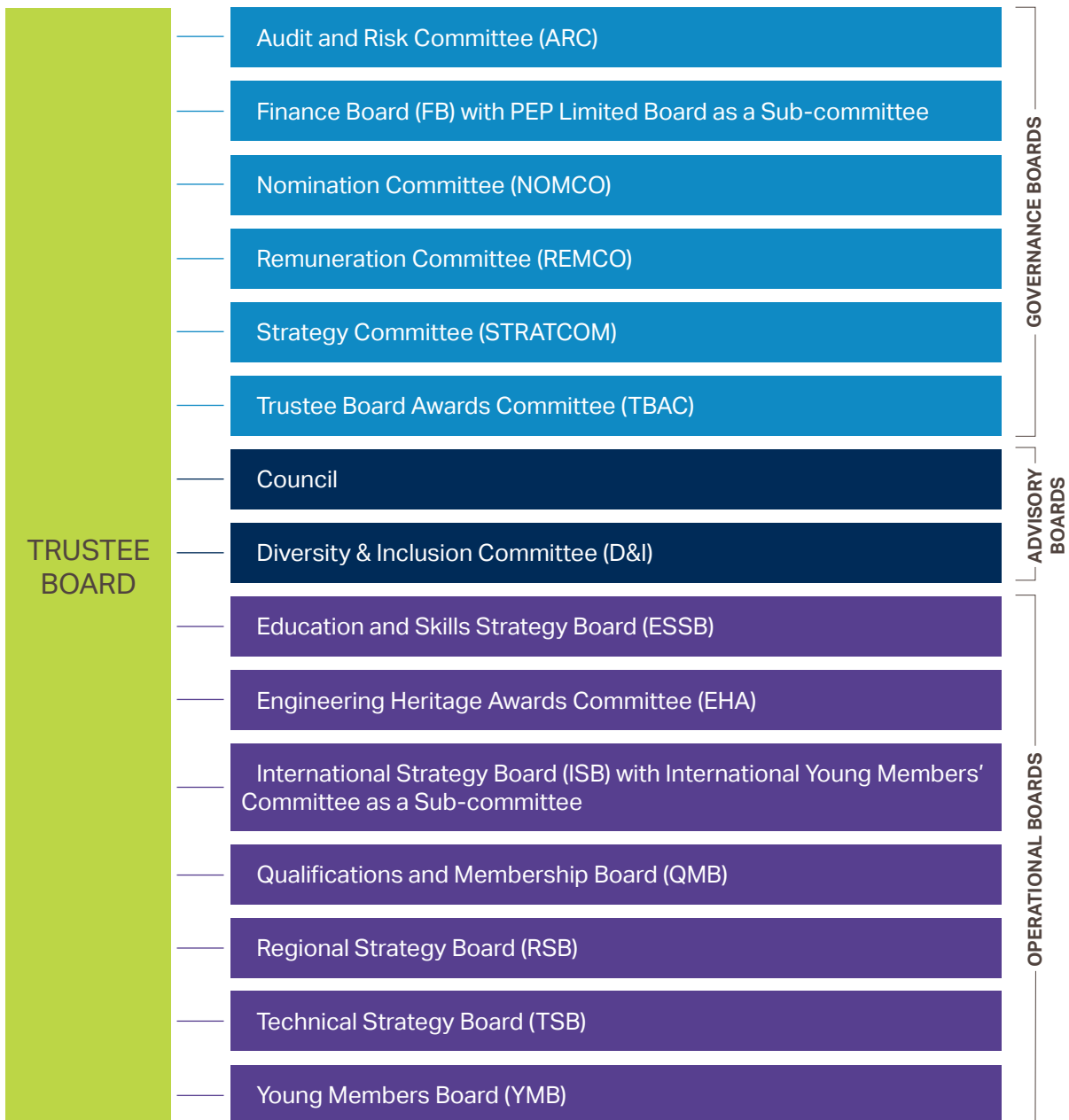
Senior Management Team

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	<p>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.</p> <p>A common theme relates to blurred accountabilities, potential conflicts of loyalty, and poor information flows in some areas.</p> <p>The write-off of part of a loan between PEP/IMEchE will be revisited following a Serious Incident Report to the Charity Commission.</p>	<p>Action is needed to strengthen compliance with legal requirements and Charity Commission guidelines.</p> <p>We have already taken steps to address the more straightforward issues. Several actions relate to more consistently robust implementation of frameworks that already exist.</p> <p>A more comprehensive review is underway and planned for completion during 2024 (with implementation over the next 6 – 12 months).</p>
Financial management	<p>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.</p> <p>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).</p>	<p>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.</p> <p>We will develop and prioritise a programme of work that simplifies our financial processes and decision making, while building in-house capability and systems.</p>
Sustainable finances	<p>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.</p> <p>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.</p> <p>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.</p>	<p>We need to embed the new practices put in place over recent years, including:</p> <ul style="list-style-type: none"> • 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. <p>We need to resolve questions about our headquarters and trading subsidiaries, which significantly impact future finances.</p> <p>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.</p>

Structure Governance and Management of the Charity (continued)

Theme	Risk to be addressed	Mitigation
Governance processes	<p>Governance systems are complex and lack clarity in places. Governance processes in some areas are cumbersome and time consuming.</p> <p>Historic record keeping is weak in some areas which can exacerbate the unclarity in certain areas.</p>	<p>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.</p> <p>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.</p>
The cost of maintaining the property assets	<p>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.</p> <p>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.</p>	<p>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.</p>
IT infrastructure and cyber security	<p>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.</p>	<p>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.</p>



“““

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

Financial review

Financial results

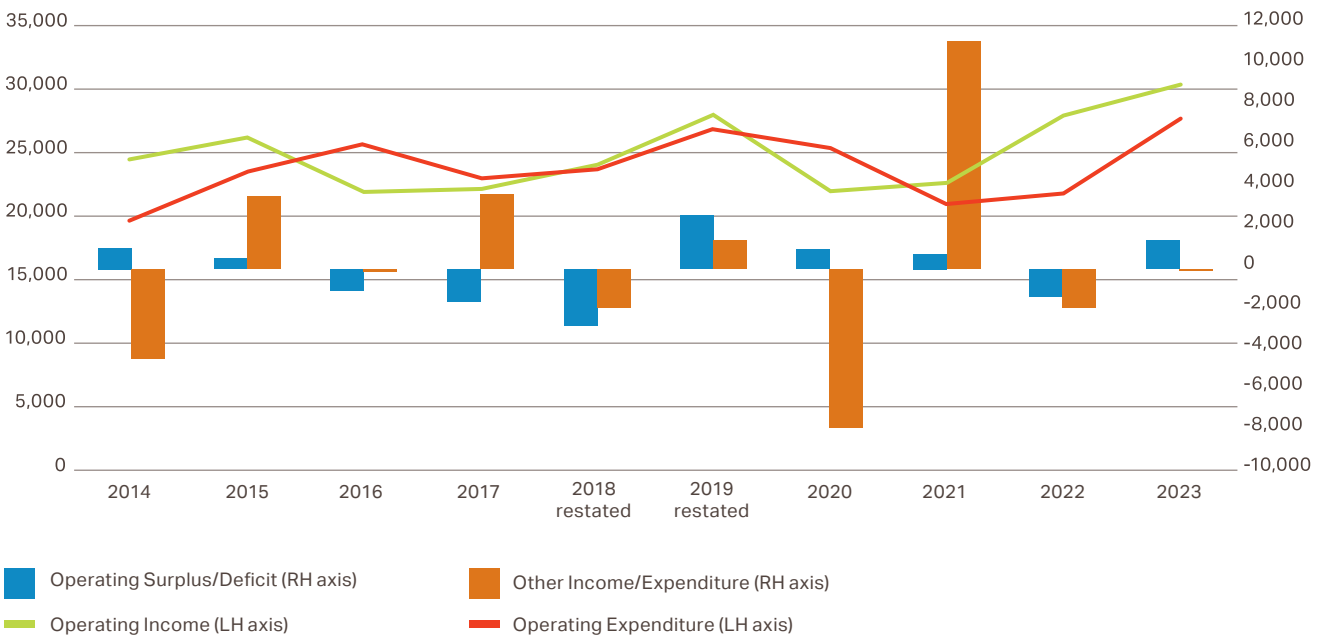
The key objective in improving the financial position of the Institution is to provide secure financial underpinnings to deliver the Trustees' strategy to develop the engineering community to improve the world through engineering. The Institution runs commercial ventures and invests in innovation as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

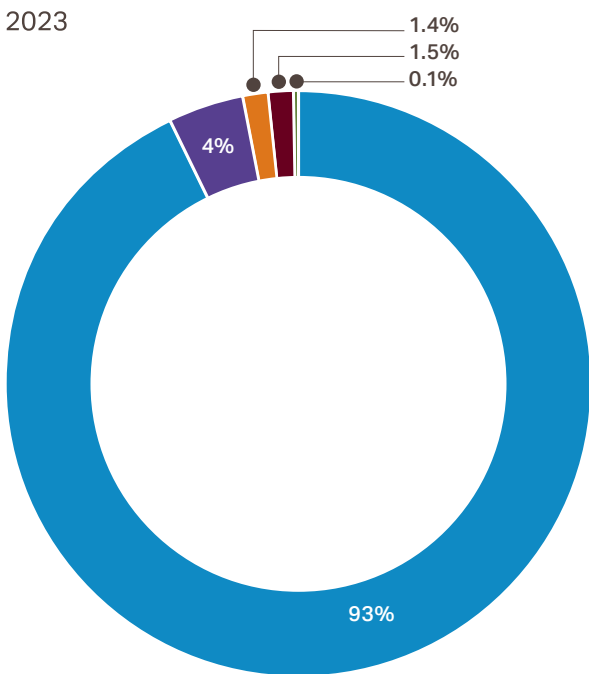


Financial results (continued)

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.

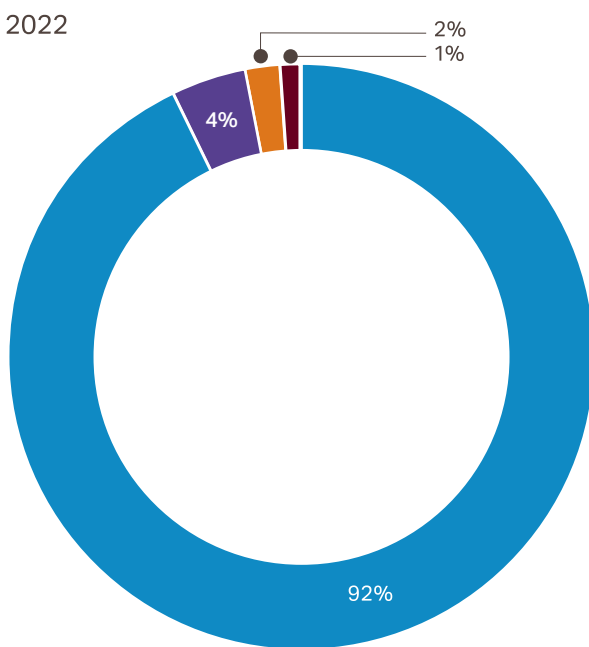
Figure 4: Sources of income (charity, unrestricted)



- Membership subscriptions
- Rent from tenants
- End Point Assessment surplus
- Investment income
- Legacies

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.

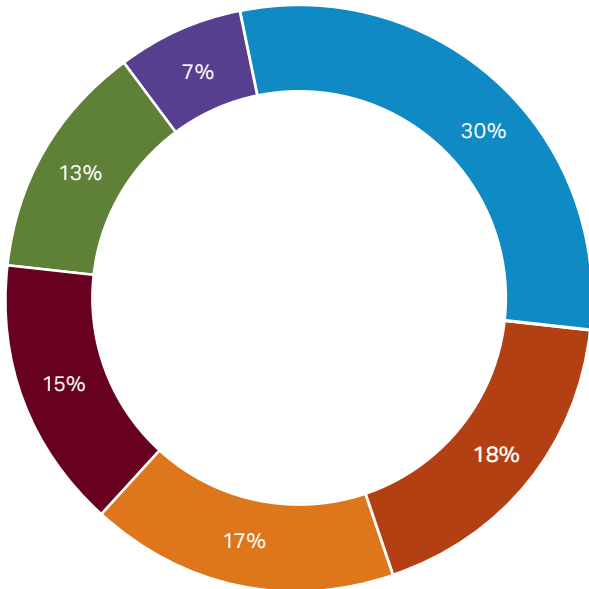
- The decline in membership income to 89% (2022: 92%) is caused by strong growth in other categories, and in absolute terms grew by 8%.
- Rent from tenants declined to 3.8% (2022: 4.5%) as we lost several small tenants.
- Investment income—at 1.5% (2022: 1.1%)—rose with higher interest rates, producing 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.



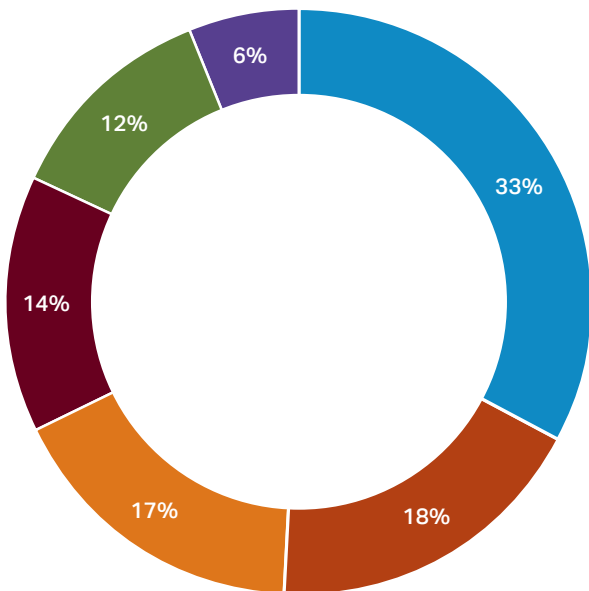
Financial results (continued)

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.

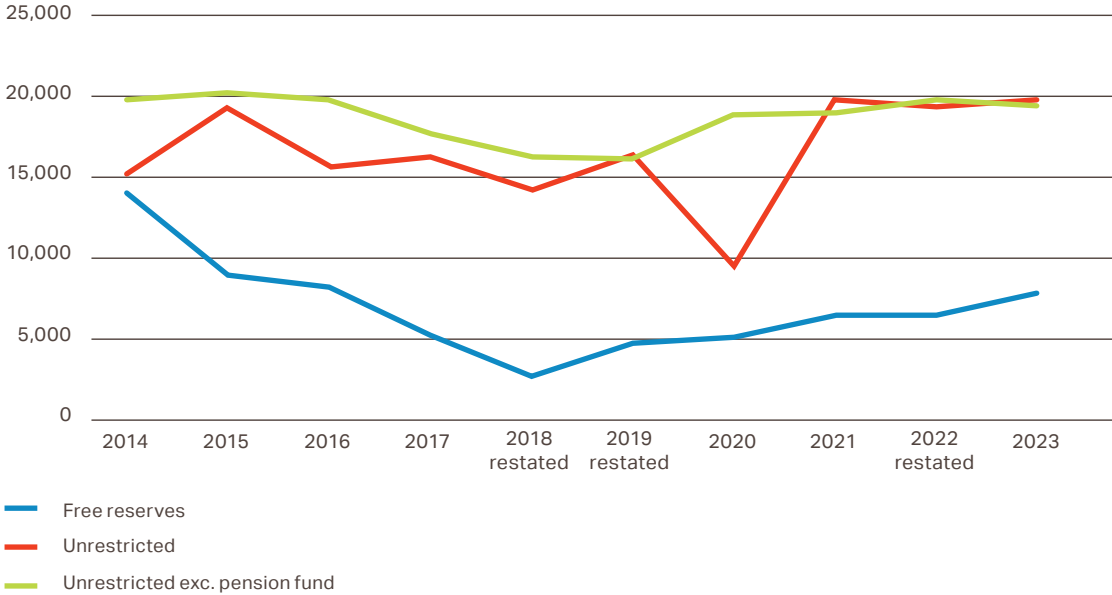
As of 31 December 2023, the calculation of free reserves was:

	2023	2022
	£'000	£'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.

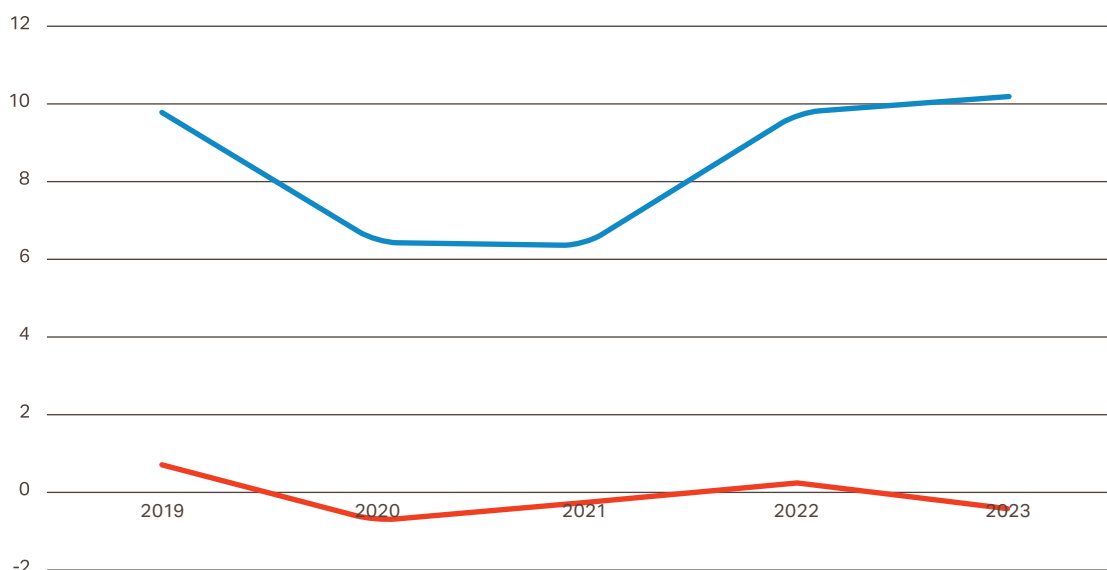
Trading Entities (continued)

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

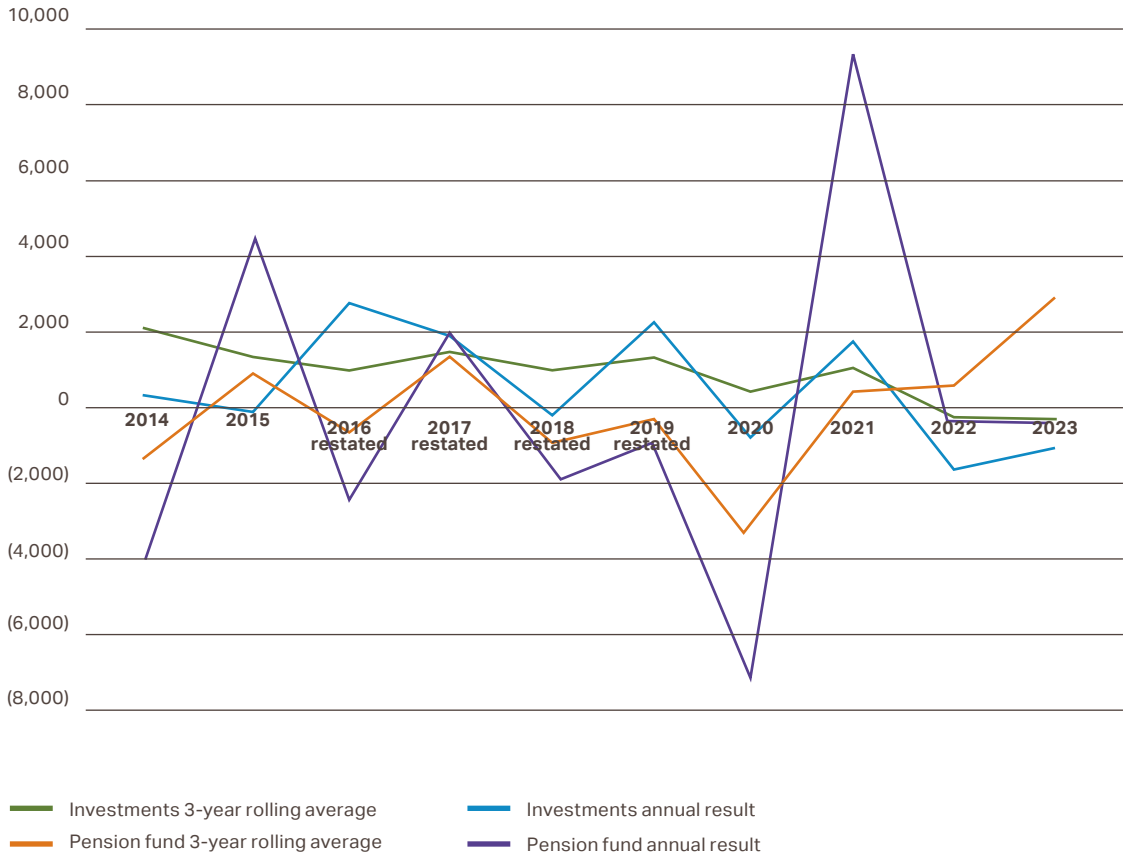
Funds are invested in special pooled funds restricted to Charity use. It is not appropriate to set individual objectives for these investments. However, performance is compared against statistics prepared by the investment management company.

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)



We are **INCLUSIVE**

We are **INNOVATIVE**

We make an **IMPACT**

“““

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

Welcome
#WeAreMechE



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

	Notes	Unrestricted Funds	Restricted Funds	Endowment Funds	2023 Total	Restated 2022 Total
		£'000	£'000	£'000	£'000	£'000
Income and Endowments from:						
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.

Financial statements (continued)

Statement of Financial Activities

	Unrestricted Funds	Restricted Funds	Endowment Funds	Restated 2022 Total
Comparative Information	£'000	£'000	£'000	£'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

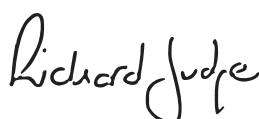
	Notes	Group		Institution	
		2023	2022	2023	2022
		£'000	£'000	£'000	£'000
Fixed Assets					
Intangible assets	11	3,085	3,446	2,802	3,172
Tangible assets	12	5,665	5,897	5,044	5,168
Investments: listed	14	18,685	18,155	11,760	11,366
Investments: mixed motive	13	2,602	3,082	2,602	3,082
Total fixed assets		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	2022
	£'000	£'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	2022
	£'000	£'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	31/12/22
	years	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	2022
	£'000	£'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	2022
	£'000	£'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	2022
	£'000	£'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	2022
	£'000	£'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	2022
	£'000	£'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	2022
	£'000	£'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

	Cost	2023 Market Value	Cost	2022 Market Value
	£'000	£'000	£'000	£'000
Analysis of investments UK				
Stephenson LLP	1,915	2,602	1,879	3,082

	2023 £'000	2022 £'000
Movement of investments		
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

	Cost	2023 Market Value	Cost	2022 Market Value
	£'000	£'000	£'000	£'000
Analysis of investments UK				
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**

	Cost	2023 Market Value	Cost	2022 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	2022
	£'000	£'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	2022
	£'000	£'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	2022	2023	2022
	£'000	£'000	£'000	£'000
Work in progress	51	29	–	–
Finished goods and goods for resale	176	162	11	12
	227	191	11	12

16. Debtors

	Group		Institution	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Amounts due within 1 year:				
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

	Unrestricted	Endowment	Restricted	2023 Total
	£'000	£'000	£'000	£'000
Fund balances at 31 December 2023 are represented by:				
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

				2022 Total
	£'000	£'000	£'000	£'000
Fund balances at 31 December 2022 are represented by:				
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**

	Unrestricted	Endowment	Restricted	2023 Total
Fund balances at 31 December 2023 are represented by:	£'000	£'000	£'000	£'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

	£'000	£'000	£'000	2022 Total
Fund balances at 31 December 2022 are represented by:	£'000	£'000	£'000	£'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	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 Incedon 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	Alfred Rosling Bennett Premium
Carl Louis Breedon	Clarence Noel Goodall
Henry Stacey Cattermole	Charles S Lake
Engineering Applied to Agriculture Filtration	Rover Midlander
M M Flatman	T A Stewart Dyer
Thomas Hawksley	Fredrick Harvey Trevithick
Helen-Shaw National Certificate	Sir Seymour Briscoe Tritton
Mrs P M Lowery	Stanley Herbert Whitelegg
Manville Bequest Scholarship	Safety Award in Mech. Engineering Starley Premium
E May	George Stephenson Research
Ludwig Mond	Herbert Ackroyd Stuart
F G Moore	The Students Aid
Arthur Morley Higher National Diploma	Water Arbitration
John Player Lectureship	Willans Premium
Raymond Coleman Prescott Scholarship	L Marson
William Alexander Agnew Meritorious	Margaret Winifred Astridge
Alastair Graham-Bryce	
Frank Radcliffe	

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	2022
	£'000	£'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	2022
	£'000	£'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	2022
	£'000	£'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	2022	2023	2022
	£'000	£'000	£'000	£'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

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2022 Total £'000	Restated 2021 Total £'000
Income and Endowments from:					
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 £'000	Adjustment £'000	2022 restated £'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.

Administrative details (continued)

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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**Institution of
Mechanical Engineers**

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