

TRUSTEE BOARD'S REPORT AND ANNUAL ACCOUNTS

Institution of
**MECHANICAL
ENGINEERS**

Year Ended 31 December 2022



Improving the world through engineering

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The Institution of Mechanical Engineers

Incorporated by Royal Charter 1930

Registered Charity in England & Wales No: 206882

Office of the Scottish Charity Regulator No: SCO51227



PRESIDENT'S STATEMENT

2022 has been a busy year as we have celebrated with pride our 175th anniversary, a memorable milestone in our Institutional history. From the keynote address delivered by Sir Patrick Vallance on the anniversary date last January to Past-President Terry Spall's long-awaited (Post-)Presidential Address, the year has been full of memorable events and moments to savour. We have been able to put COVID-19 behind us and move on, holding physical events again as well as making effective use of hybrid and virtual ways of working. Having said that, we must recognise that we live in changing times. There has been significant upheaval in the UK government, the on-going conflict in Ukraine and change of the UK monarchy. UK's longest serving monarch was patron of many engineering Institutions, including our own. I pay tribute to the Queen's achievements and the role she played in our history.

For me personally, a real highlight of the year was to return to Birmingham to host our annual dinner in November where, 175 years ago on 27th January 1847, it all started with the Institution's inaugural meeting and election of George Stephenson as our first President. The unique roles that both Bromsgrove and Curzon Street stations played in the early history of the Institution have also been rightly recognised with prestigious IMechE Engineering Heritage Awards.

When I took over from Peter Flinn last May, I chose as my Presidential Address theme 'Our Institution: building the future'. I wanted us to realise where we have come from as a distinguished engineering body and acknowledge that we continue to have a significant part to play in society and the future challenges that it faces. I hope that I have managed to achieve that goal during my Presidential year.

After 12 months in the Presidency, you would have expected Peter to have taken it easy this year. Far from it! He has been enthusiastically leading our policy work on Net Zero, attending many related events and authoring our report 'Engineering a Net Zero energy system'. Thank you, Peter, for proactively championing this critical area of future engineering focus; in your words 'achieving net

zero is the biggest engineering challenge ever undertaken by mankind'. And with the recruitment of our new Director of Engineering, Policy and Impact, James Partington, we are well placed to influence government over the stance that it takes on this and other important policy decisions. Welcome to the team, James!

The review of the future of our Birdcage Walk headquarters building continues, following on from the initial study done by the Real Estate Strategy Group. The HQ Working Group under the chair of Past President Patrick Kniveton has been working through possible scenarios in detail and earlier this year produced a draft business case document to support the consultation process. As this annual report is published, the Trustee Board is considering inputs with a view to proposing a resolution to the membership. I hope this will lead us to a consensus on how to proceed on this important step for the Institution.

It has been a pleasure working with our CEO, Dr Alice Bunn, over the year – she brings so many positive contributions to the way we function as an Institution. On a personal note, Alice was rightly honoured with an OBE in the Queen's final Birthday Honours List for her services to the UK space sector and to charity. This award recognises Alice's impressive achievements and the flair she brought to her role in the space industry and now at IMechE. I congratulate her on behalf of the Institution on receiving this well-deserved award.

Finally, I would like to express my sincere thanks to all those with whom I have worked during the year, whether members, staff or engineering friends and acquaintances. It has been an exceptional honour to represent this fine Institution and one that I will treasure for the rest of my life.

In May, I pass over to Giles Hartill as our next President. As Chair of our Strategy Committee, Giles has been promoting the development of a new strategic direction; one that will place us in a better position moving forward. I wish Giles every success in his endeavours during his Presidential year. I leave the Institution in capable hands.

Phil Peel CEng FIMechE
137th President of the Institution of Mechanical Engineers



CHIEF EXECUTIVE'S STATEMENT

2022 was an exciting year of change as we pivoted towards delivery of the new high-level strategy, with values of inclusion, integrity, impact and innovation at the fore of everything we do. Volunteer and staff efforts were aligned to our strategic goals of developing and supporting engineers, and in doing so, maximising their positive impact on society.

On developing and supporting members, we were delighted to achieve the highest number of new registrants across all engineering Institutions for the 10th year running. We also gained Ofqual recognition to operate as an end point assessment organisation, providing a vitally important route to engineering for earlier careers. But we recognise that our support for members must not stop at these early stages in a world where life-long learning and upskilling and reskilling is more important than ever. So equally impressive that our Learning and Development trading company had a record-breaking year, emerging from COVID stronger than ever.

On impact, we have been working with partners across the engineering landscape, or feeding in advice directly to government. For instance, we provided key input to the report on air quality, commissioned by the Government Chief Scientific Advisor, and convened by the Royal Academy of Engineering. Crucially we fed our members' expertise directly into the net zero review commissioned by the government too. We have sought opportunities for our members' expertise to be shared from events in parliament, through to position articles in the wider media. We were also very pleased with the participation we had in a new virtual work experience programme designed to ensure participation is possible from all backgrounds and locations.

We have also targeted our efforts around our 7 strategic enablers, rolling out our diversity and inclusion programme to a greater number of volunteers and staff, and we were delighted to achieve gold IIP status. We did not make the progress that we had hoped for in deciding the future of our headquarters. However, given that this is one of the largest financial decisions that the Institution will take for many years it is important that all voices are heard to ensure that the right decision is taken. Our efforts must also focus on our digital infrastructure as that holds the key to us being able to work together, globally and inclusively, in the future.

Last but not least, to people. Volunteers and staff are the greatest asset of the Institution and when we work together we can achieve amazing things. We trialled the first virtual volunteer conference in 2022, specifically to ensure that this support can be accessible to all our volunteers. We were also delighted to be able to host many of our international volunteers in the 'extravaganza' week in September. I feel very lucky to have worked with Peter Flinn, a sentiment shared by many ('everybody knows Peter' was a running joke), I am thoroughly enjoying working with Phil Peel, and looking forward to the presidency of Giles Hartill. In 2022 we did have to bid farewell to one very treasured member of staff, Joan Gibbins MBE, leaving in style as she literally danced her way out of the library! Happily, we still see Joan regularly at social events. Let's hope 2023 similarly brings many opportunities for us all to come together and improve the world through engineering.

Dr Alice Bunn OBE
CEng FIMechE FRAeS

OUR YEAR IN NUMBERS



TECHNICAL & NETWORKING EVENTS

Supported **113** events with **17,700** attendees:

- 56** webinars
- 8** online seminars
- 14** lectures (11 hybrid)
- 23** face-to-face conferences and seminars
- 6** competition events
- 6** special events our portfolio



CHALLENGES

- 5** Challenges held in physical and virtual form.
- 190** teams from **27** countries took part
- 2,700** competitors and **400** volunteers participated in the live finals across the challenges



STEM

- 4** STEM Ambassador training sessions
- 1028** active STEM Ambassadors
- 2862** activities completed reaching **534,045** participants
- 3,053** schools and **79** non schools engaged



ENGINEERING HERITAGE COMMITTEE

- 175th Anniversary Edition Heritage plaques issued to Bromsgrove & Curzon Street Stations in the Midlands
- 3** Engineering Heritage Awards were presented: Farnborough Man Carrying Centrifuge, Coombe Mill, The Bendigo Tramway



SOCIAL MEDIA

- 97,000** LinkedIn followers (10% increase)
- 1,100+** New Instagram channel followers
- Launched Instagram Live and Facebook Live events

175 anniversary widely celebrated across IMechE



LIBRARY & ARCHIVE

- 549,148** online library downloads (**17%** increase)
- 11** Webinars with **1541** registrants and **603** attendees
- ASME standards collection enabled for members
- 7,205** archive catalogue sessions, a **236%** increase following the implementation of new software
- 11,521** Virtual Archive sessions
- Painting from the archive collection was loaned for exhibition at the British Motor Museum
- 1st digitised reel to reel audio file added to the Virtual Archive.
- Ongoing project for implementation of an integrated Library Search and Management system, to be launched in 2023.





VIDEO PRODUCTION & PODCAST

212 videos added to IMechE's YouTube channel

4,069 new YouTube subscribers

343,905 YouTube views

Over 6,816 "Impulse to Innovation" podcast downloads



END POINT ASSESSMENT

1049 End Point Assessments delivered

Working with 109 training providers/colleges

EPA Standards Committee established



YOUNG MEMBERS

SOE Global Final held. 1st physical final in 3 years.

The Technical Paper Competition launched

Pilot launch for "Student Chapter of the Year Award" SE Asia

Young Member of the Year Awards awarded



MEMBERSHIP & BUSINESS DEVELOPMENT

66,323 members in paying grades vs target of 67,037

24 University accreditation visits (18 virtual; 6 physical)

50 Company accreditation visits

1,781 Professional Review Interviews

2,340 New professionally registered engineers

5000+ Delegates attended our free online, face-to-face and in-company professional development events in 2022



PRIZES & AWARDS

3 ceremonies took place in 2022

150 prizes and scholarships awarded



MEMBER ENGAGEMENT

1st Virtual Volunteer Conference held, providing volunteers training and support in conducting their roles.

1st "International Extravaganza" held, bringing together global members for a week of meetings, networking and engagement events

Member Networks team supported: 150+ Division & Group Committee meetings and 30+ Operating Board & Committee meetings

Committee Hub launched

Memorandum of Understanding (MoU) signed with Verein Deutscher Ingenieure (VDI), Germany

Cooperation agreement signed with The South African Institution of Mechanical Engineering (SAIMEchE)

2022 marked a year of repositioning for education and skills across the Institution.

IMechE's education provision is intended to support the lifecycle of an engineer and spans across Institutional activity. We work to facilitate the inspiration, education and retention of young people and contribute to the long-term sustainable diversification, development and growth of the engineering profession at large.

Education was announced as an Institutional policy priority at the Elevating Education launch event which took place at IMechE HQ in March 2022. Contributors including Amanda Solloway MP, Former Science Minister, met with key stakeholders from the engineering community to discuss the post pandemic educational landscape and to relaunch IMechE's STEM Ambassador programme.

The Institution's STEM Ambassador programme, which involves over 10,000 UK members, aims to equip engineers going into schools and colleges with the right skills to inspire and inform young people. The STEM Ambassador programme has been given even more importance following the disruption students suffered during the COVID-19 pandemic. A free education outreach training provision, a new STEM Ambassador induction video and web resources have been developed to encourage members to get involved in education outreach.

The Institution launched a pilot mechanical engineering virtual work experience programme in partnership with careers platform Springpod. The programme successfully engaged nearly 1000 students from across the country. The provision included e-learning materials, quizzes, activities and live webinars relating to our policy priority areas showcasing engineering as a career option to young people. The virtual work experience provided an inclusive method in which IMechE could widen participation and provide greater access to career and education opportunities for young people. The pilot programme provides the background for further developmental work that the Institution will undertake on work experience opportunities in 2023.

IMechE is monitoring policy and qualification changes that could potentially impact the future pipeline or skills provision of engineers. In response to the implementation of T Levels as a new technical qualification in England, IMechE conducted a survey on public perceptions of T Levels. Following the report's publication, the Institution has taken an active role in engaging with key stakeholders to raise awareness and promote T Levels to businesses. The Institution will also be working to ensure T Levels are embedded as a clear and viable pathway for future engineering talent.

The Institution continued to successfully support key strategic partnerships including those with the Department for Education, Primary Engineer, STEM Learning UK and the Engineering Education Grant Scheme in partnership with the Institution for Engineering and Technology.

ENVIRONMENTAL SUSTAINABILITY AND SOCIAL RESPONSIBILITY REPORT

As an organisation, the Institution is committed to reducing its environmental impact and enhancing its social responsibility as a means of achieving greater sustainability.

We continue to seek to reduce the volume of waste being sent to landfill and have extended our daily refuse contract to a contractor with a zero to landfill policy. In 2022 we concentrated our efforts on the recycling of our excess stationery with our supplier providing "amnesty bins" which allows us to dispose of any good quality and good condition stationery items. Instead of going to landfill the items are distributed to schools and colleges up and down the UK.

The Institution's Facilities team continue to lead on green initiatives and in preparation for the ban on single use plastic have recently committed to ensuring that all disposable catering supplies will be made of plant-based material by the end of March 2023.

The Facilities team has successfully collaborated with the Social Responsibility Group and as a result of their efforts, sourced sustainable alternatives and introduced a Food Bank drop off point at HQ to support the Trussell Trust.

The increase in both staff and tenants returning to the office along with the post COVID venue hire saw an increase in both our gas and electricity consumption. Coupled with our end-of-life heating and ventilation systems that are in urgent need of replacement, our annual electricity consumption in 2022 increased from 386 MWh to 539 MWh and our gas consumption increased from 436 MWh to 737 MWh.

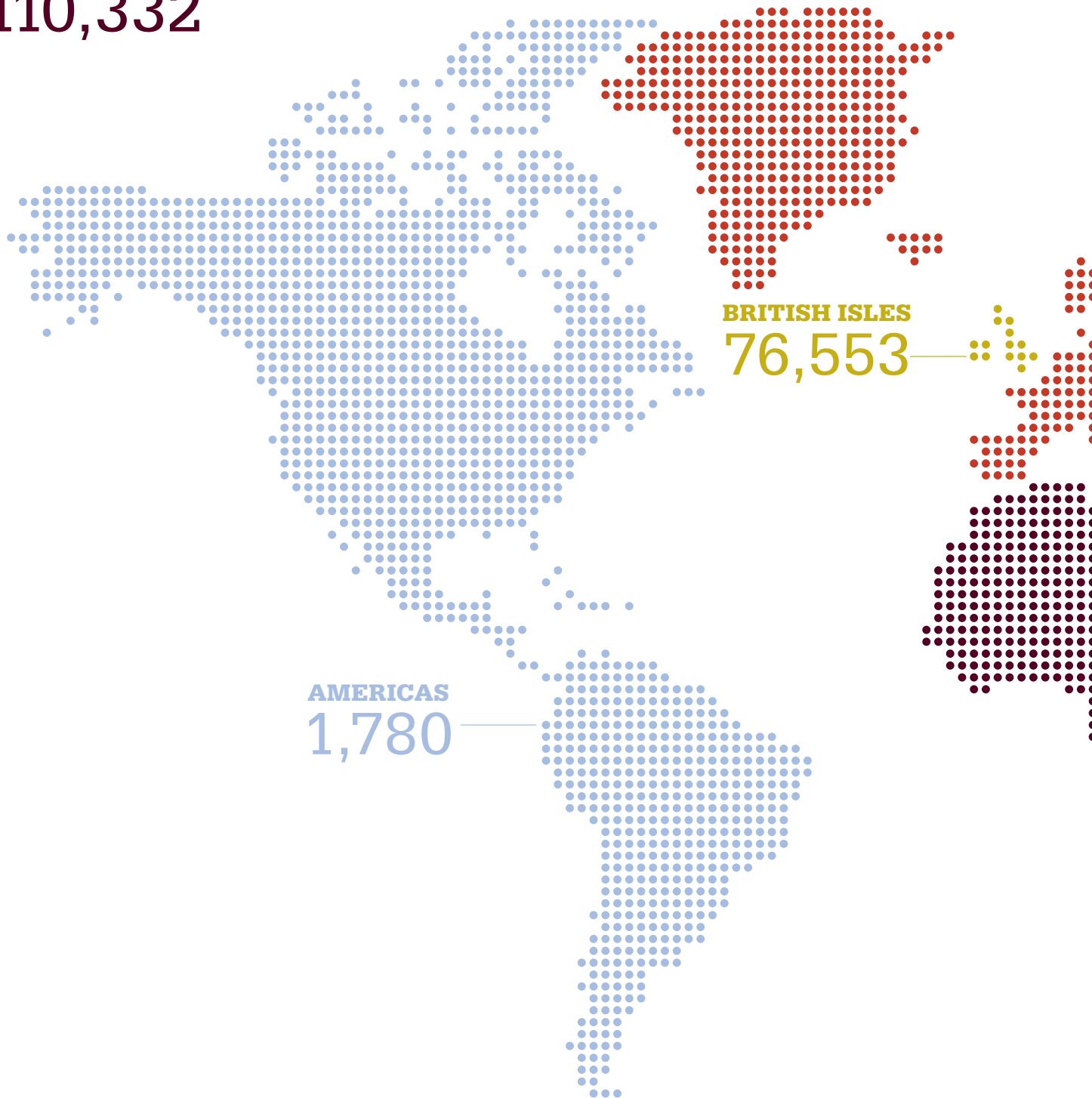


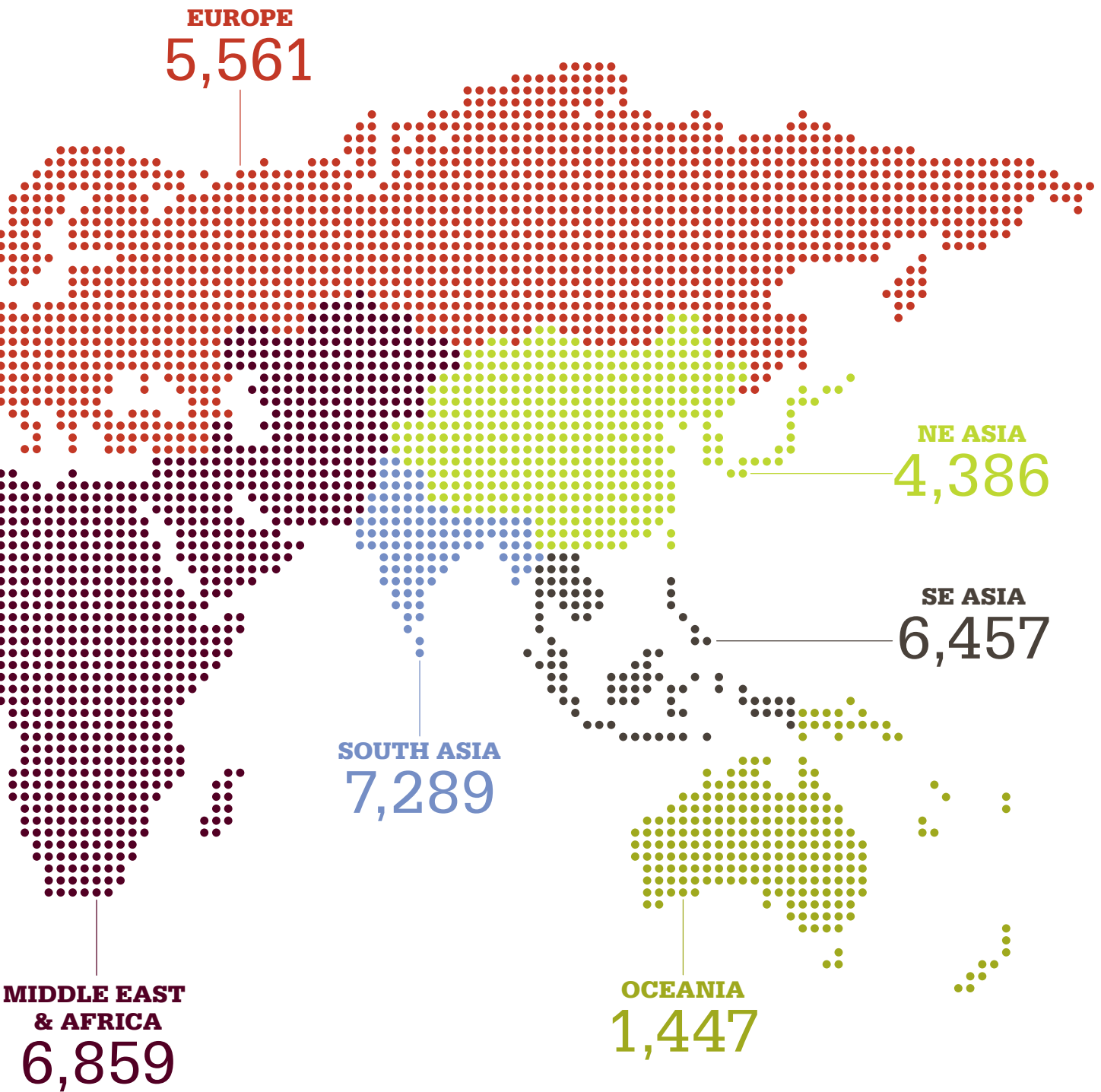
In 2022 we concentrated our efforts on the recycling of our excess stationery, ensuring nothing went to landfill but distributed to schools and colleges up and down the UK.

GLOBAL MEMBERSHIP

Figure 1: Global membership by Institution Membership Region.

TOTAL
110,332





2022 KEY PERFORMANCE INDICATORS

- Achieved
- Not achieved

In 2022 we focused on 6 Key Performance Indicators, in line with our agreed objectives and goals. We achieved 4/6 and 2/6 were not achieved and rolled over to 2023.

What we said we would do

KPI 1: Publish 5 year strategy for the Institution that will deliver our mission of improving the world through engineering.

During 2022 the Strategy Committee produced a high-level strategy which, following wide consultation with our boards and committees, was reviewed and approved by the Trustee Board, and published in April 2022 through the 2021 annual report. Consultation has continued with the wider membership, with a specific focus around our 2 strategic goals plus the digital developments that will be key to support delivery. The full strategy is due to be published in Q2 2023 as part of the 2022 annual report, with work ahead to develop detailed delivery plans over a 3-5 year horizon.

What we said we would do



KPI 2: Relaunch IMechE as an End Point Assessment Organisation, supporting apprentices of the future to make their contribution to ensuring a safer and sustainable world.

Offering End Point Assessment to the engineering and manufacturing sector is the Institution's commitment to supporting and recognising the contribution and value of apprenticeships to UK industry, and in line with our value of inclusivity. Following the Institution being recognised by Ofqual at the beginning of 2022, IMechE relaunched its first class and robust End Point Assessment Service. End Point Assessment can now be delivered for Engineering Technician, Railway Engineering Design Technician, Rail Engineering Technician and Rail Engineering Advanced Technician. Full information can be found on [IMechE's Website](#).

What we said we would do

KPI 3: Develop our complaints procedure to include the new values and behaviours and serious complaints processes and procedures, to strengthen our operations as a diverse and inclusive organisation.

A first draft of the serious complaints procedure has been delivered but is now on ice pending introduction of a new management system across all policies, procedures, and guidance. This is being delivered with the Council's governance sub-group, with staff and volunteers working in close partnership. This will be the pre-cursor to our ambition of building out a comprehensive suite of guidance and tools to be best-in-class for volunteer support. This remains an important priority for the Institution and we expect to deliver it during 2023.

-  **Achieved**
-  **Not achieved**

What we said we would do

KPI 4: Ensure charity operates a surplus budget at operational level to support our long term financial resilience. Deliver free reserves increase of £250K.

Charity achieved its surplus budget at operational level, before the movement of market value on investments and any actuarial changes to the defined benefit pension scheme.

What we said we would do

KPI 5: Secure the future of our headquarters through taking a decision on the future of the building via member vote and special meeting.

In early 2022, our Real Estate Strategy Group, completed a substantial consultation about future options for the building, submitted a proposal and we launched an indicative poll to our voting members.

Following feedback from Council, in May 2022, a new Working Group was set up to examine a wider set of options, in particular looking at strategic fit, financial viability, risk profile and chances of receiving member approval, with input from updated valuations and reports on the condition of the building.

Any decision regarding the future of Birdcage Walk will need the approval of two thirds of voting members in a special meeting. The Working Group submitted a report to the Trustee Board in February 2023, recommending further work before a proposed members special meeting and vote later in 2023.

Further information can be found on the [Birdcage Walk HQ Working Group](#) Website Page.

What we said we would do

KPI 6: Deliver improved services to members in an inclusive way through our digital platform modernisation, with projects delivered in line with the Business Plan.

The Digital & Technology Services team worked throughout 2022 on stabilising existing systems including the main IMechE website to improve member experience. Significant discovery and planning were completed in readiness for planned major infrastructure overhaul in 2023. The stabilisation of existing systems is also essential for releasing capacity to work on the delivery of meaningful modernisation projects.

A high-level roadmap of priority projects was agreed with the Executive Team at the start of 2022 and shared with all stakeholders, boards, and committees. This roadmap encountered a later start due to in-flight work taking longer to complete to a good standard. A small number of projects from this plan were deferred into larger technology changes planned for the next few years due to interdependencies. Despite this, a good number of projects were delivered with outcomes including a new committee management hub, improvements to MPDS and CPD, and a vastly improved online payments system.

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Our 175 anniversary was an opportunity to celebrate our past while looking confidently to the future.



FUTURE PLANS

During 2022 the Strategy Committee established working groups for three key strategy areas – Member Development, Impact, and Digital – to develop strategic objectives and detailed sub strategies. The Working Groups presented the final iterations of their respective outputs to the Strategy Committee which were subsequently approved by the Trustee Board in March 2023.

Our Strategy 2030

Mission: Improving the world through engineering

Vision 2030: A global, inclusive, and digitally enabled engineering community

Values: Inclusion | Integrity | Impact | Innovation

Strategic Goals:

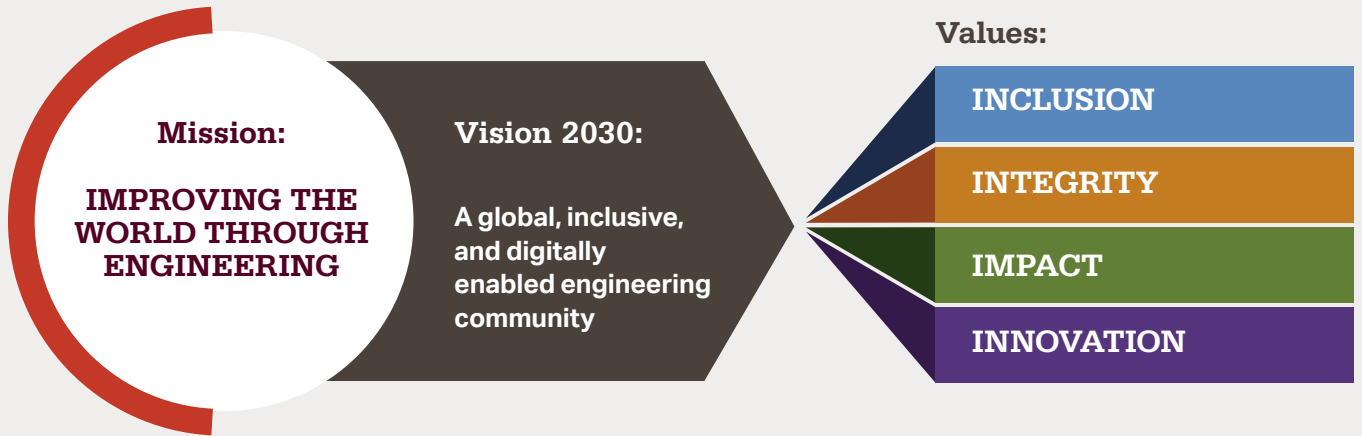
Membership Development

Developing, registering, and supporting our members to be their best for a more inclusive and sustainable world.

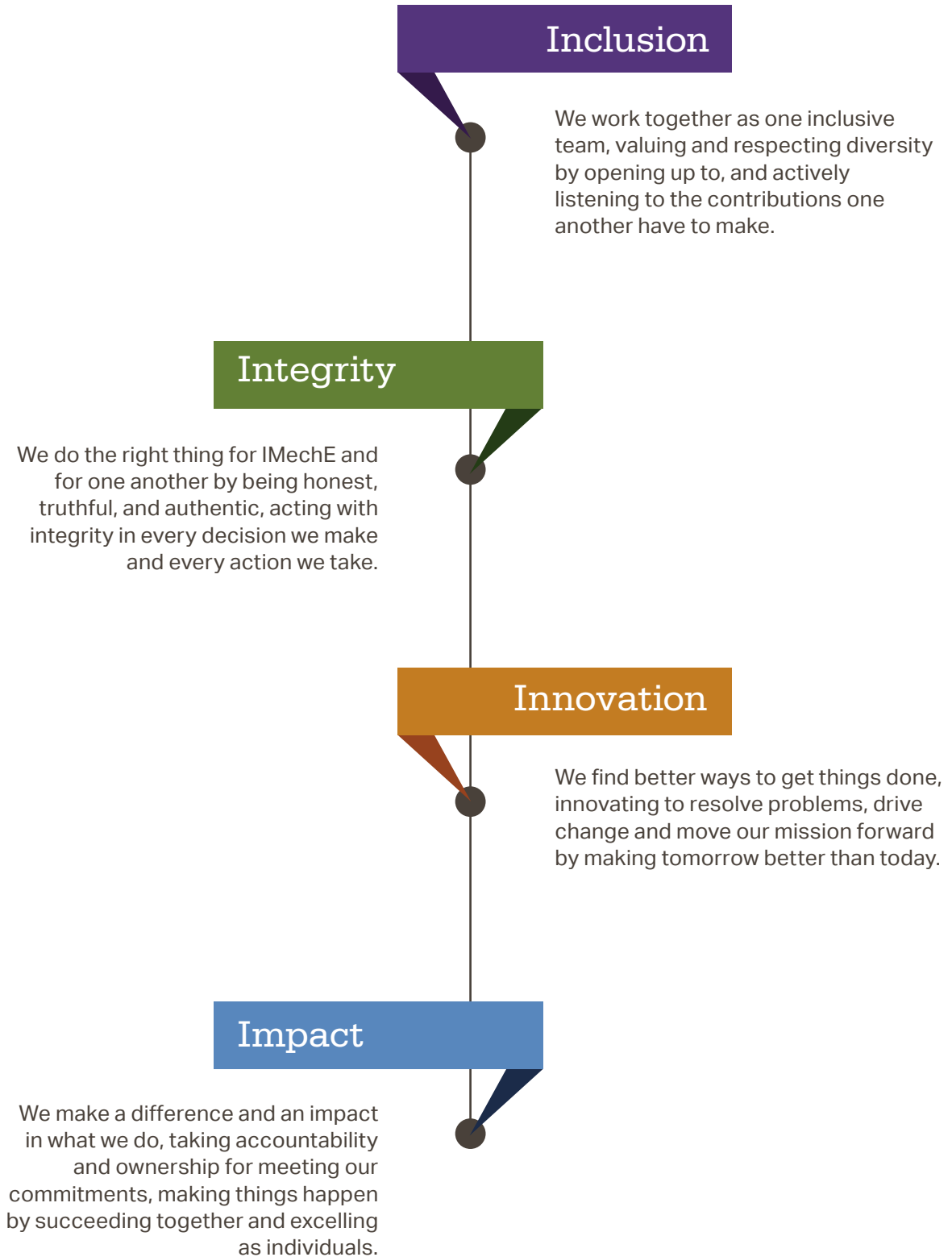
Impact

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

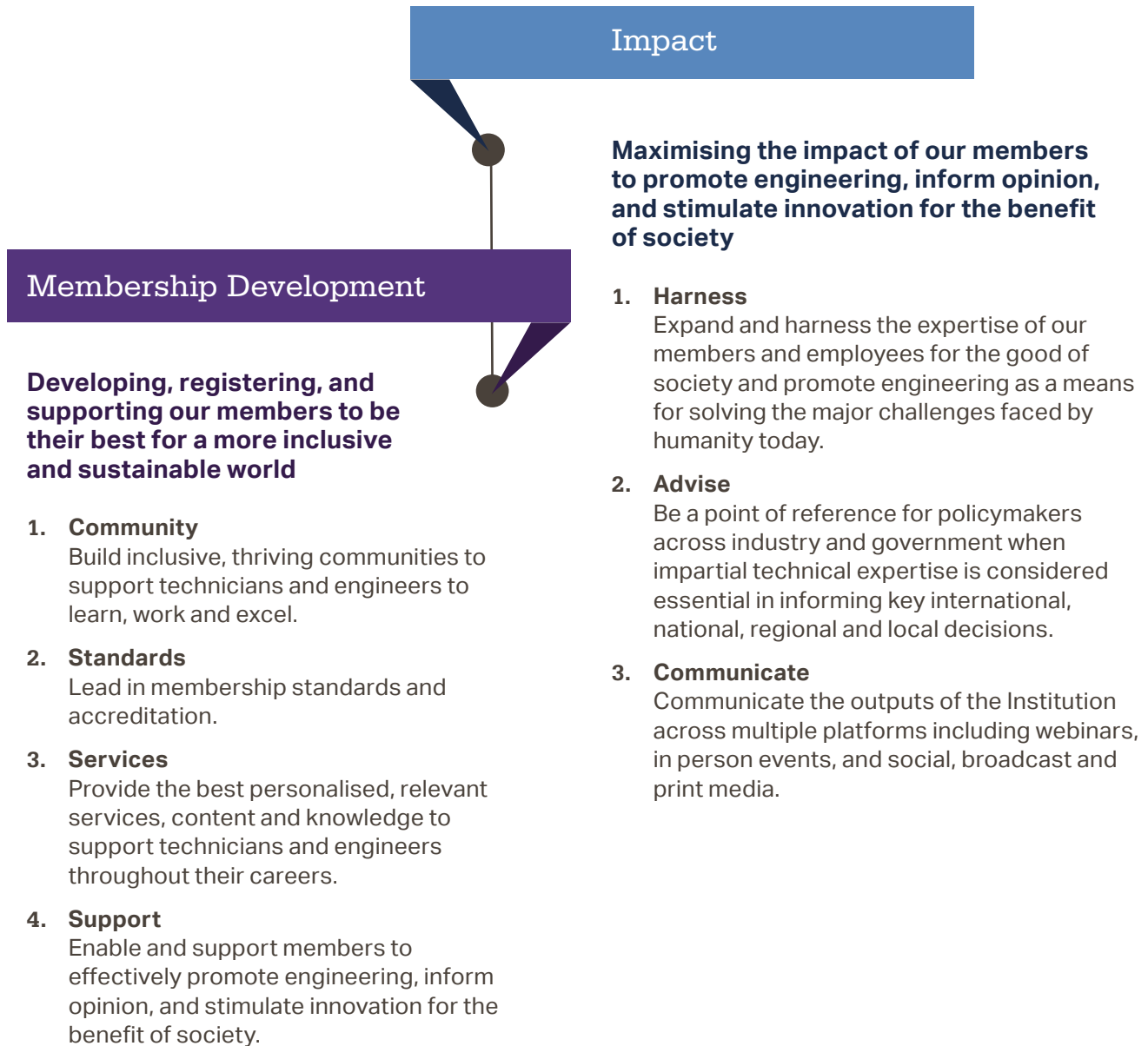
- We will improve our membership accreditation process, recognition schemes, services, and community - making them inclusive and a leading standard, relevant to the modern, global world.
- We will use digital technology to build thriving, networked, inclusive, global engineering communities, and deliver customised services to support technicians and engineers throughout their careers.
- We will realise a modern facilities estate, fit for the future of the IMechE, ensuring long-term financial stability for the organisation.
- Our members are leaders, experts, generating knowledge and innovating solutions - we will harness their expertise to engage and impact society positively.



Our Values



Strategic Goals



Strategic Enablers



Governance and Leadership

- Ensure governance processes are seen to be best practice by the sector and are benchmarked against leading professional bodies.
- Ensure business processes are best practice and compliant with legal and regulatory requirements.
- Continually develop and improve the IMechE strategy, responding to changing needs and circumstances.
- Ensure registration and qualifications are best practice for the development and support of professional technicians and engineers.
- Develop and proactively train future leaders amongst our members and employees.
- Provide members and employees with leadership learning and development opportunities.

People and Culture

- Cultivate an open, collaborative, and inclusive culture where our employees and members know they belong, feel valued and can thrive.
- Support and engage volunteers and employees to work in close partnership.
- Strengthen our governance and leadership arrangements with inclusion at the heart.
- Deliver communications that reflect the diversity of our global engineering community.
- Provide services and processes designed with inclusivity and accessibility in mind.
- Secure partnerships that are aligned with our vision and values to amplify our impact and achieve our mission.
- Take a proactive approach to living our values, translating them into meaningful action that makes a difference to our organisation and beyond.

Digital First

- Develop highly functional and globally accessible, digital services.
- Create a unified data platform to enable a digital-first operating model across the IMechE.
- Content and solutions designed and implemented to be beneficiary centric.
- Content produced to be cross-platform and optimised for priority channels.
- Technology solutions hosted appropriately to support global accessibility.
- Automation and Artificial Intelligence technologies applied to improve customer experience and reduce costs.
- All services digital first.

Collaboration and Partnership

- Build a culture of collaboration and partnership amongst our members, employees, and stakeholders.
- Work to harmonise engineering standards globally.
- Collaborate with global Professional Engineering Institutions (PEIs) through reciprocal arrangements for membership and member services.
- Enable our global volunteer network to effectively promote engineering and work in partnership with other PEIs.

Sustainable finances and facilities

- Develop a modern and affordable facilities estate with excellent environmental performance.
- Create rolling medium-term plans ensuring financial sustainability and sufficient reserves to enable strategic flexibility.
- Maximise our operational efficiency and digital capabilities to minimise our environmental footprint.

Evaluation and Continuous Improvement

- Track and measure the impact of our outputs to assess the success or otherwise in delivering on our goals and objectives.
- Implement learning and feedback so that a system of continuous improvement is developed.
- Coordinate and collaborate activities across the spectrum, prioritising those activities with the greatest strategic fit and impact.
- Develop new metrics, KPIs and targets to encourage the delivery of the strategy.
- Extend and strengthen links with other PEIs or organisations with shared interests to understand their offering and look for areas of overlap and gaps so that we can increase the reach and impact of IMechE activities.

2023 Key Performance Indicators

Membership		
Title	Description	Indicators
Population	We want to achieve sustainable growth in our professional, registered membership.	<ul style="list-style-type: none"> • % voluntary membership lapsing • No. of professional registrations
Satisfaction	We want to have satisfied and engaged members.	<ul style="list-style-type: none"> • Change in no. of active members • % of eligible members voting in elections
Diversity	We want our membership to reflect the diversity of society.	<ul style="list-style-type: none"> • % of international membership • % of female membership

Impact health		
Title	Description	Indicators
Learning	We want to increase the amount of life-long learning we support.	<ul style="list-style-type: none"> • No. of days of learning events attended
Influence	We want to be a trusted point of reference for policymakers, industry, and current and future engineers.	<ul style="list-style-type: none"> • No. of key influencing events • No. of IMechE policy report citations
Reach	We want to increase our reach to extend the expertise of HQ and our members.	<ul style="list-style-type: none"> • % Change in website interactions • % Change in digital downloads • % Change in social media audience • No. of press references

Financial health		
Title	Description	Indicators
Membership income	We want our membership income to support our strategic goals.	<ul style="list-style-type: none"> • % Change in membership income
Income diversity	A greater spread of income increases our resilience and supports our charitable objectives.	<ul style="list-style-type: none"> • % unrestricted revenue from non-subscription sources (*)
Free reserves	Our free reserves should enable us to cope with financial shocks and take advantage of opportunities.	<ul style="list-style-type: none"> • Free reserves (3 year rolling average to smooth out market value volatility)

(*) for this indicator we are including the operating profit after shared costs from our trading subsidiaries rather than turnover as the relevant component of this metric.

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Our STEM Ambassador programme aims to equip engineers going into schools and colleges with the right skills to inspire and inform young people.



Gender Pay Gap Reporting

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

While we are happy with the improvement shown in the year, which is mainly driven by both an increased proportion of female employees in the upper quartile (40%, 2021:38%) and a small increase of relative pay of female employees within each quartile, we recognise that further progress is necessary and will work towards this.

In 2022 male employees were paid on average 12.7% more than female employees (2021 15.9%).

This is due to the proportion of men being much higher in the higher two quartiles (59%, 2021: 58%) than the lower two quartiles (40%, 2021: 42%).

Within the individual quartiles pay is very close with female pay ranging from 99% to 103% of the mean (2021: 98 to 102%) or the quartile and being higher in three (2021: two) of the four quartiles.

Figure 1: Gender split by pay quartile

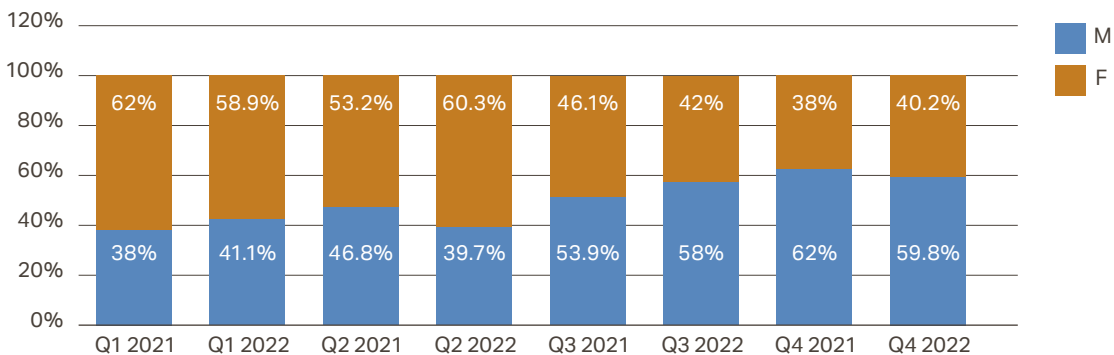
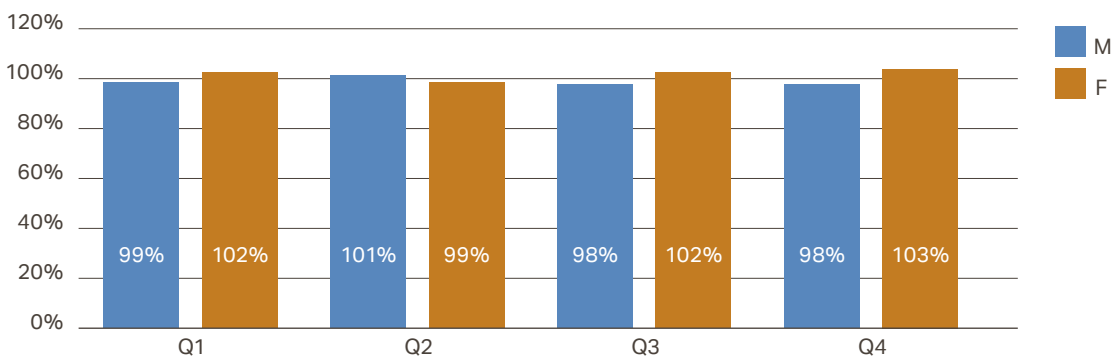


Figure 2: Mean gender pay within each quartile



STRUCTURE, GOVERNANCE AND MANAGEMENT OF THE CHARITY

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

Trustee Board

President	Phil Peel
Deputy President	Giles Hartill
	Dr Clive Hickman OBE
Vice Presidents	Heather Clarke
	Helena Rivers
	Dr Richard Judge
International Vice President	Vijay Raman
Ordinary Members	Bridget Eickhoff
	Professor David Nowell
	Chris Chong
Member ordinarily resident overseas	Professor Emeritus Graeme Britton
Member under 30	Ross O'Brien
Trustees retired or resigned in year	
Past President	Peter Flinn
Vice President	Matt Garside
International Vice President	Raymond Hodgkinson

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

Senior Management Team

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

Chief Executive	Dr Alice Bunn
Finance and Commercial Director	Sean Fox
Human Resources Director	Bims Alalade
Member Operations Director	Joanna Horton
Engineering Policy and Impact Director	James Partington

Boards and Committees

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

Governance sub-committees

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

Advisory bodies

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

Operational boards and committees

- **Education and Skills Strategy Board (ESSB)** Influences education and skills to facilitate the inspiration, education and retention of young people and contributes to the long-term sustainable diversification, development and growth of the engineering profession at large.

- **Engineering Heritage Awards Committee (EHAC)** – recognises and celebrates engineering heritage worldwide.
- **International Strategy Board (ISB)** – Learned Society activities for, and engagement with members based outside of the British Isles. The International Young Members committee reports directly to ISB.
- **Qualification and Membership Board (QMB)** – maintains professional standards and promotes registration to the Engineering Council.
- **Regional Strategy Board (RSB)** – Learned Society activities for, and local engagement with members based in the UK and Republic of Ireland.
- **Technical Strategy Board (TSB)** – promotes technical interests and coordinates Learned Society activities covering industry sectors (Divisions) and engineering technologies (Groups).
- **Young Members Board (YMB) (UK and Republic of Ireland) and the International Young Members Committee (IYMC) (all areas outside of the British Isles)** – champion and promote Learned Society activities for, and engagement with members within ten years of profession registration.

Structure of local operations

Every member is assigned to an Institution region aligned to the defined geographical areas under the remits of the Regional Strategy Board (UK and Republic of Ireland) and the International Strategy Board (all global areas outside of the British Isles). The combined RSB and ISB networks covering our global reach is the key mechanism for the Institution’s engagement with members at a local level.

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

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

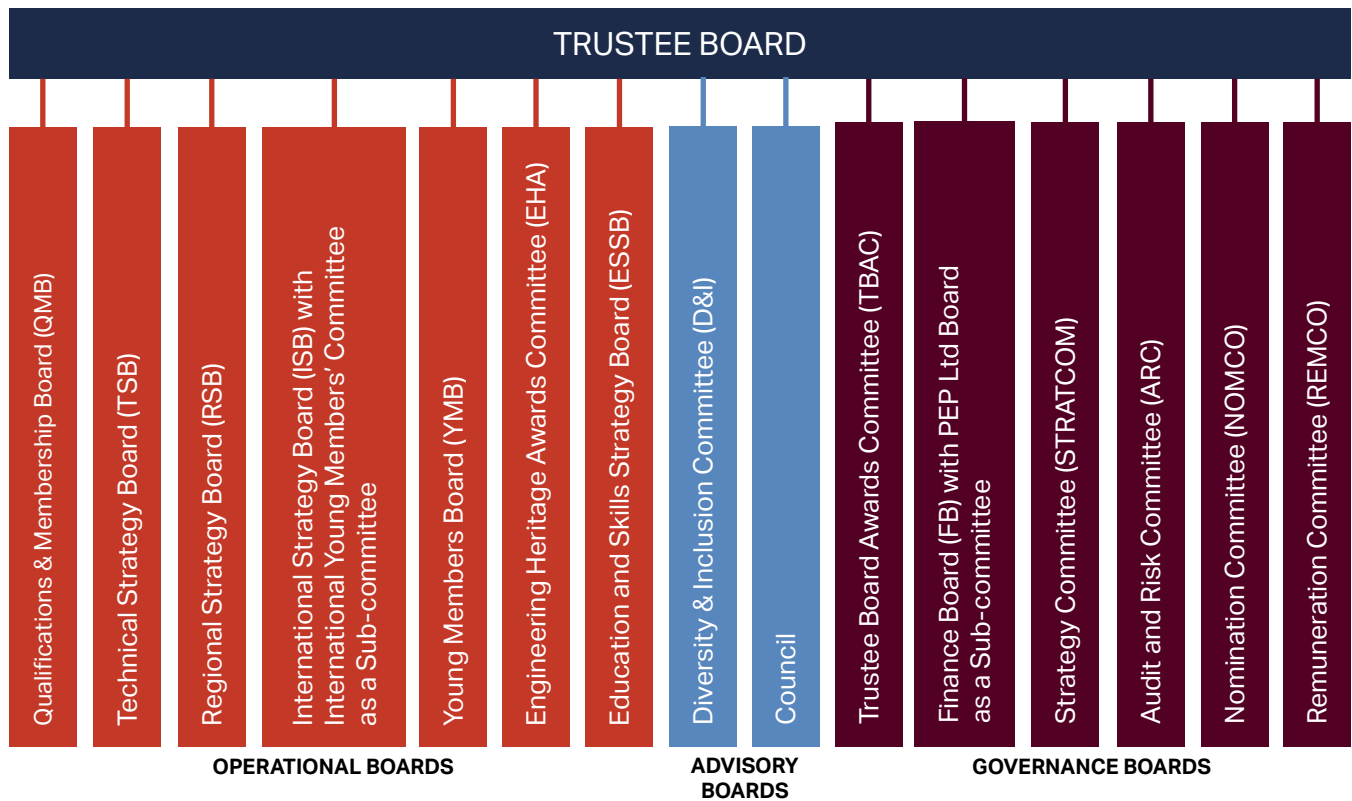


Figure 3: IMechE governance – organisational structure (April 2022)

Details of activities delivered in 2022 by the regional networks and the operating boards are reported elsewhere in this report.

Membership Volunteering

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

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

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

Provision of free facilities

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

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

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

As reported in previous annual reports, 16 remaining recommendations from the 2018-2019 governance review were allocated to the senior management team for completion.

There are two key themes associated with this work:

- Evolving the Institution's culture to embody its values. Ongoing work is centred on volunteer members and employees, including a programme of diversity and inclusion training, and the introduction of transparent procedures and processes to address incidents of poor values and behaviours, and for members to raise in confidence concerns about the Institution's management and operations. Since early 2021, we have facilitated over 100 free live diversity and inclusion learning sessions to around 250 employees and members and have already felt a shift in the way we bring our values to life in day-to-day interactions. We are proud to have a rich, global membership base, and we are taking steps to build an inclusive culture where all our members and employees know they belong, feel valued and can thrive. The D&I Learning Programme will continue during 2023 and aims to raise awareness and equip us with the right knowledge and tools to embed inclusion at the heart of everything we do. The Trustee Board approved a 3-year action plan to empower us with the opportunity to confidently discuss this subject and create a truly inclusive environment for all.
- Improving the quality and frequency of communications between members and the Institution to achieve an efficient and effective two-way channel. The Strategy Committee, supported by the CEO and Council's strategy

sub-group, is developing a communications strategy to act as a roadmap for longer-term improvements. A key conclusion of the Strategy Committee is that we must move to a digital first approach. Work kicked off in 2022 to improve our existing digital offer in advance of moving to delivering personal digital communications tailored for our members.

In 2022 Past President Peter Flinn agreed an initiative with Council to focus on a review of the Institution's high-level constitutional documents for the purpose of improving their clarity and members' understanding of our governance framework. The intention was not to propose changes to the existing governance arrangements per se but to propose changes to the documents' contents such as to remove inconsistencies and address overlaps. It was envisaged that a holistic review of the Royal Charter & By-laws and the related Regulations and Terms of Reference would be a large project and as a first step a scoping study would be required. A joint (Trustee Board/Council) working group was formed for that purpose.

The two-year time scale for the project was deemed as ambitious due to resource availability and the Trustees felt more time would need to be allocated to the project to ensure quality. The project will be picked up again once the Institution has completed its more urgent projects.

In addition, the Institution in early 2022 adopted new Trustee Board regulations which have enabled us to move to a situation where we will have two Deputy Presidents in waiting allowing better planning continuity.

Activities in Scotland

The Institution has approx. 9,390 members based in Scotland supported locally via the Scottish regional committee and its sub-groups led by member volunteers. The regional programme in 2022 consisted of local technical and social events organised by the Scottish Area Committees, technical Centres and Young Member Panels, including technical visits, lectures, and the Scottish Region Annual Dinner.

A number of national events took place in Scotland including technical seminars, for example "Innovative Materials Offshore" in Aberdeen by the Process Industries Division. The Institution also ran a varied programme of events and activities open to all members including our members in Scotland such as "The ABC of Scotland's Railway Strategy", organised by the Railway Division which was live-streamed globally.

Internal Control

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

In 2022:

- The Programme Office supported the Executive Team in creating the business plan and the reviewing and reporting of the KPI's on a quarterly and annual basis to the Leadership Forum and Trustee Board.
- The Programme Office successfully completed the 1st year of the 3 year internal audit programme of the Institution's internal processes. The results were reported to the Executive and Audit and Risk Committee with action plans implemented. The audits are lead and completed by an independent ISO 9001 lead auditor.
- A complete review of the Institution's risk strategy was completed. This included a review of all documented policies associated with

risk, including the creation and launch of new strategic and department operational risk registers across the Institution. A senior risk manager was appointed to move the Institution forward on risk management. The Programme Office reported the results to the Executive and Audit and Risk Committee.

Employee Engagement

The commitment to the improvement of culture and engagement at the Institution has continued with positive experiences of culture transformation taking place across the Institution. The achievement of Investors in People Gold was testament to the embedding of our values amongst our staff and the great work and support our leadership teams have provided.

Inclusion is the first of IMechE's four core values, and in that spirit, we continued to deliver our Training Programme 'Creating Inclusion' throughout 2022 and have felt a positive culture change on how we bring our values to life at IMechE. One of the highlights of the training programme was having a mixed number of members and employees engaging and working together as one team. Members and employees also came together and attended workshops to discuss how we can align our values, the D&I Strategy and Institution's long-term strategy going forward, which were fed into a Diversity and Inclusion Action Plan.

The reformed Employee Engagement Group has established working groups to support key engagement streams across the Institution.

The Social Responsibility, IT, Wellbeing and Cheer groups have been working to generate employee engagement and embed a positive work culture at IMechE.

The Social Responsibility Working Group supports IMechE and its employees to increase engagement in socially responsible activities, focusing on charitable and/or environmental initiatives. Over the past year the group has organised a number of

fundraising events for Action for Children, Home - KidsOut and The Trussell Trust - Stop UK Hunger.

The Leadership Forum expanded to enable key stakeholders to be part of the forum allowing them to directly contribute to business planning for the Institution.

Wellbeing continues to be a focal point for the Institution with all employees offered the opportunity to attend a mental health awareness course. There are 8 trained Mental Health First Aiders who provide support and signposting to employees as a first point of assistance. The Institution continues to support flexible work patterns.

The Institution is an equal opportunity employer and does not discriminate on the grounds of disability, age, race, ethnicity or sexual orientation. The Institution has continued to focus on retaining skilled employees by providing more secondment and promotion.

Arrangements for setting the pay and remuneration of key personnel

The remuneration of senior management at Director level and above is reviewed and approved annually by the Remuneration Committee. The Committee ensures arrangements are affordable and fair, and designed to motivate and reward performance in the interests of the Group. Remuneration is benchmarked periodically using external surveys and data which include both commercial and not-for-profit organisations.

Public Benefit Statement

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

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

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

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

Modern Slavery: Commitment Statement

IMechE is committed to preventing acts of modern slavery and human trafficking from occurring within its business and supply chain, and suppliers.

As part of our commitment to combating modern slavery, we will continually review the requirements of the MSA 2015 and when appropriate, consider implementing appropriate modern/anti-slavery policies and processes within the organisation. In considering whether to implement the above, we consider:

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

Ukraine

The Institution has decided fees for membership application and subscription will be waived for up to two years for refugee engineers in the UK wishing to join the Institution.

We took the decision as we believe it is important to support refugee engineers to integrate and rebuild their lives, while at the same time helping them to contribute to the UK economy and society.

These engineers have knowledge, skills and training and by supporting them to gain employment or continue with their studies, we can help fill the skills gap we have in the UK.

Membership will provide that important early help and support that may be needed, providing access to some member benefits and services in particular our learned society and training activities, local networks of members and the Support Network assistance.

As part of our overall response to the wider refugee crisis, we are working with the Royal Academy of Engineering, the Engineering Council and other Professional Engineering Institutions help determine how professional bodies can support refugee engineers.

Sri Lanka

Support has also been offered to our members in Sri Lanka, during this time of significant economic crisis.

The Institution is committed to supporting all our members and our Support Network provides advice and support, including financial support, to our members worldwide.

Risk Management

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

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

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

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

Risk Appetite Statement 2022

Introduction

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

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

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

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

Our approach

The Institution's approach to risk is to identify activities that could impact its business objectives. Where activities or potential activities are identified, they are evaluated and recorded as risks. Evaluating risks allows the Institution to assess whether they are within the Institutions risk appetite in their current state. Where identified risks are not within risk appetite additional measures need to be implemented to reduce the probability or impact of them occurring, thus bringing them with risk appetite. The Institution's risk appetite is linked inextricably to our ability to measure and manage risks. We use several methods to achieve this by implementing policies, procedures, conducting regular reviews and updates as well as assurance processes (internal audits).

This approach provides the Institution with an opportunity to make improvements to the business and charity. The Institution will only accept a risk where the potential benefit or detriment to the business is understood and where sensible measures can be put, or are in place, to control or mitigate the risk.

As risks bear a cost, they are also expressed in financial terms, thus allowing the financial impact on the Institution to be evaluated. The Institution's approach to risk is proactive.

Structure, Governance and Management of the Charity (continued)

Major organisational risks

Risk	Description	Mitigation
Failing to agree and implement a 5-year strategy for the Institution.	There are risks associated with the need to agree and implement a 5-year strategy for the Institution, providing focus and priorities.	Whilst the current strategy remains in place, a fully revised 5-year strategy continues to be established. The Strategy Committee continues to meet and has continued input into other forums such as Council. Individual sub-groups are all in progress to develop the next stage of the revised strategy.
The cost of maintaining property assets - One Birdcage Walk	<p>The cost of running and maintaining property assets remains very high. One Birdcage Walk continues to require major structural works due to its age and condition. A costing exercise took place in 2022, with the cost of building repairs to meet current standards rising substantially. Revenue produced from venue hire and tenant income from One Birdcage Walk does not cover running costs of the building.</p> <p>One Birdcage Walk's future depends on achieving a 2/3 vote by the membership. There is an additional risk that if a 2/3 membership vote is not achieved, although risk reduction strategy may reduce the impact of the risk, it will remain without resolution.</p>	To continue the information campaign, complete the ongoing consultation, and seek member approval by achieving a 2/3 vote.
IT Infrastructure – Maintaining information integrity, security and become a highly functional and globally accessible, digital communications services	<p>IT infrastructure and operations continue to pose a significant risk to the Institution, mainly where IT systems and processes are no longer fit for purpose.</p> <p>Cyber security remains a continuing risk, as it does to all organisations, however legacy systems naturally pose a higher risk.</p>	Mitigation includes recruitment and development of in-house team of IT professionals, including structured training to keep skillsets relevant; projects for 2023 focus on migration, development and maintenance of infrastructure; documentation and discovery of as-is and to-be plans being developed in response to these; improvement of our security posture where permissible before infrastructure changes; management of underperforming third party contracts, replacing these as contract terms end; development of and delivery roadmap for major digital strategy to tackle underlying outdated systems and lack of strategically important capabilities.
Compliance with regulatory requirements	These are risks associated with regulatory requirements such as GDPR and Health & Safety.	<p>Both mandatory staff training as well as appropriate policies and procedures to maintain the confidentiality, integrity and security of our data (UK GDPR) continue to be updated and implemented.</p> <p>For Health & Safety, we continue to employ professionally qualified facilities management staff ensuring Health & Safety conformity across all sites. We have regular site inspections and audits by Head of Building Services. The annual Health & Safety report is submitted to and reviewed by both Audit & Risk Committee and the Trustee Board.</p>
Professional Engineering Projects Ltd does not deliver budgeted profits	Professional Engineering Projects Ltd (PEP) has four trading entities: Venue Hire, Learning & Development, Argyll Ruane, and Sonaspection. The four entities were negatively impacted by the COVID-19 pandemic, and recovery was significantly slower than expected. Throughout 2022 the four trading entities experienced varying degrees of recovery. Unaudited accounts show PEP Ltd achieved a small profit in 2022.	IMechE has completed its PEP Strategic review and recommendations have been made to the Finance Board on the future strategy for PEP.
Membership and Accreditations	Compared to other Professional Engineering Institutions (PEI), IMechE continues to have limited resources to devote to member recruitment. Overall, IMechE membership numbers have declined with the number of members in the paying grades marginally down (this excludes those with free membership such as students). Factors including economic downturn after COVID, accessibility to applicants due to hybrid working and the increase in the cost of living, as well as previously identified PEI registration becoming less relevant to employers. The divergence of modern engineering careers that no longer fit neatly into a single PEI, may exacerbate this decline.	Mitigations include ongoing reviews of membership benefits and offerings, marketing campaigns, regular member surveys, continued use of effective business development function, the ongoing use of Falzani model to predict retirement, regular reviews of performance at Senior Leadership team and Trustee Board, setting objectives conducive to being amongst the top UK PEI. This list is not exhaustive.
Governance challenges	Corporate Governance risks associated with leadership, accountability and transparency continue to be an area of risk for the Institution.	Aligning Governance planning with IMechE Business Plan, Corporate elections process is being reviewed and amended where applicable and restructuring of the Governance resources to align with better ways of working.

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Our report “**Engineering a Net-Zero Energy System**” looked at the challenges of decarbonisation and what the engineering community should be doing to overcome them.

FINANCIAL REVIEW

Financial Results

The key objective in improving the financial position of the Institution is to provide secure financial underpinnings to deliver the Learned Society activities to our members. The Institution runs several commercial ventures and invests in innovation as part of supporting its overall charitable purpose. Following the completion of the Finance Review in 2019, achieving self-funding for the charitable business and increasing the level of free reserves have become key priorities.

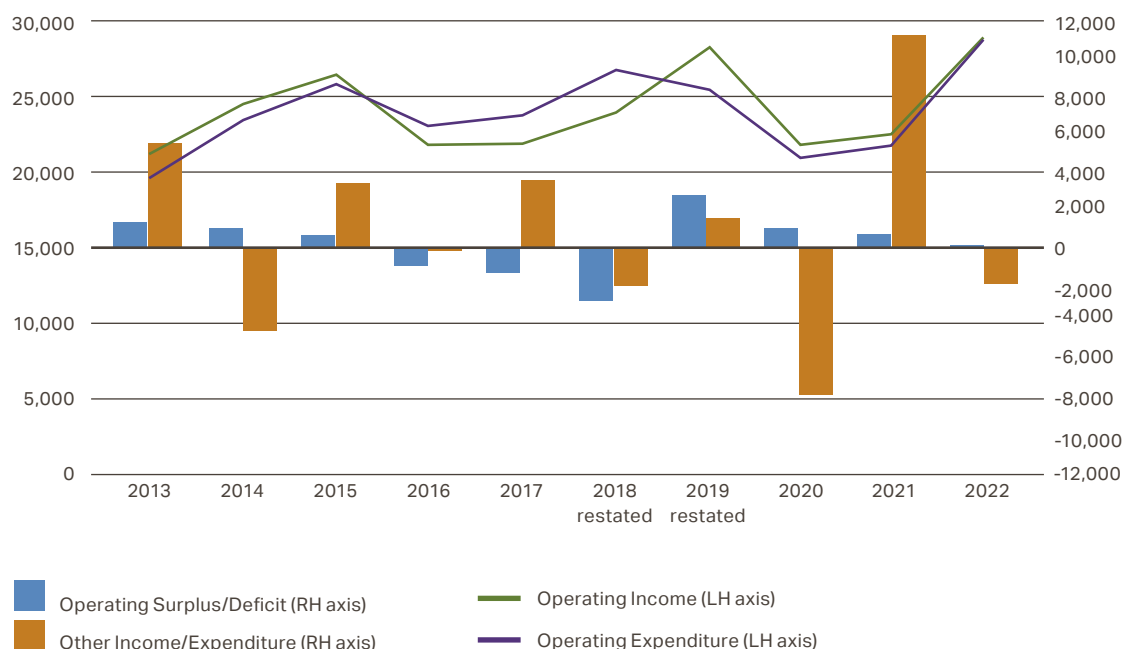
In 2022, overall income rose 27% to £28.7M (2021 – £22.6M).

There was no furlough income receivable under government COVID-19 support schemes (2021: £0.1M)

Operating expenditure rose 30% to £28.5M (2021 – £21.9M) resulting in an operating surplus of £0.2M (2021 – £0.7M).

Non-operating costs included a £1.6M loss on investments (2021– £1.8M gain), and a £0.3M actuarial loss (2020 – £9.4M gain) on the pension fund scheme (see note 10 for full details), resulting in a net movement of funds (operating and non-operating) of £1.7M deficit (2021 – £11.9M surplus) for the year.

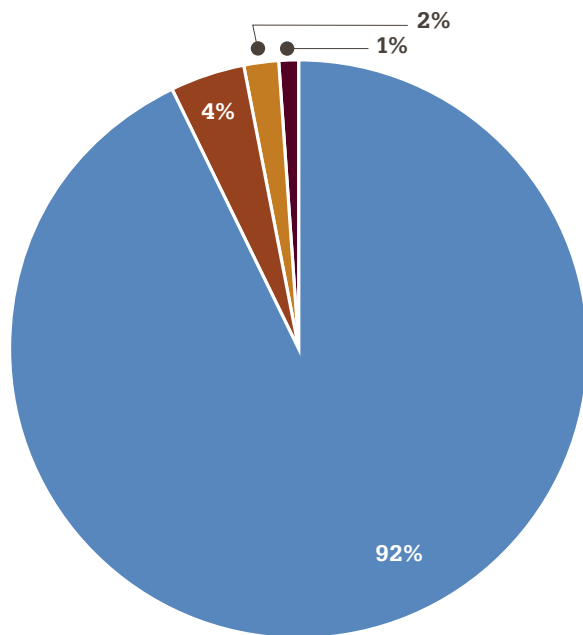
Figure 4: Income and expenditure trends 2013–2022 (£'000s)



Charity only income and expenditure

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

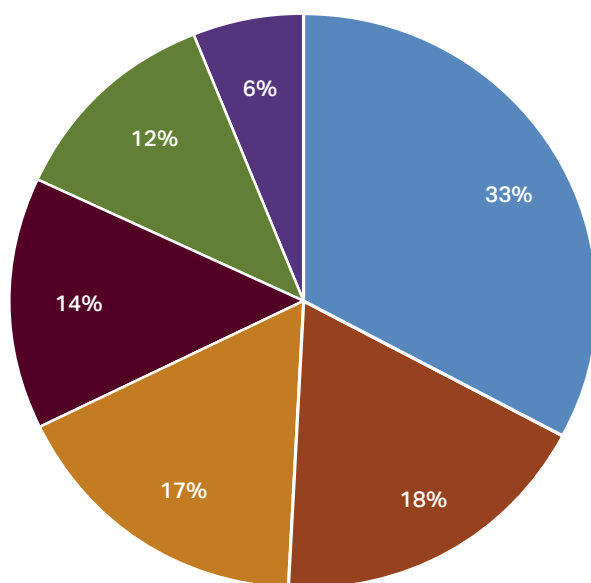
Sources of income (Charity, unrestricted)



- Membership subscriptions
- Rental income from tenants
- End point assessment surplus
- Investment income
- Legacies
- PEP profits

Income only includes membership subscriptions, rental income from tenants, investment income and departments which have a net surplus e.g. end-point assessment. Legacies and profits from PEP are included but each is well below 1% of total income in 2022 so they are not easily visible. Departments which are a net expense e.g. events, professional development, are not shown within income but the net expenditure is included within the graphic below

Charity only expenditure



- 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 but capital expenditure in the year is included in the relevant values. The 'Collaboration and Partnership' and 'Evaluation and Continuous Improvement' enablers have not historically had costs measured separately but both are small compared to the others. Further work to improve this will be conducted during 2023."

Charity Reserves

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

- Special projects (excluding routine maintenance) eg the extensive capital repairs needed to One Birdcage Walk.
- Major risks – a judgement based on a combination of those known or reasonably forecast in the medium-term – as defined in the Institution’s Risk Register.
- Unknown risks for a major loss of income (eg the type of unexpected event that COVID-19 was in 2020).
- The cost of orderly wind-up of the charity if ever required.

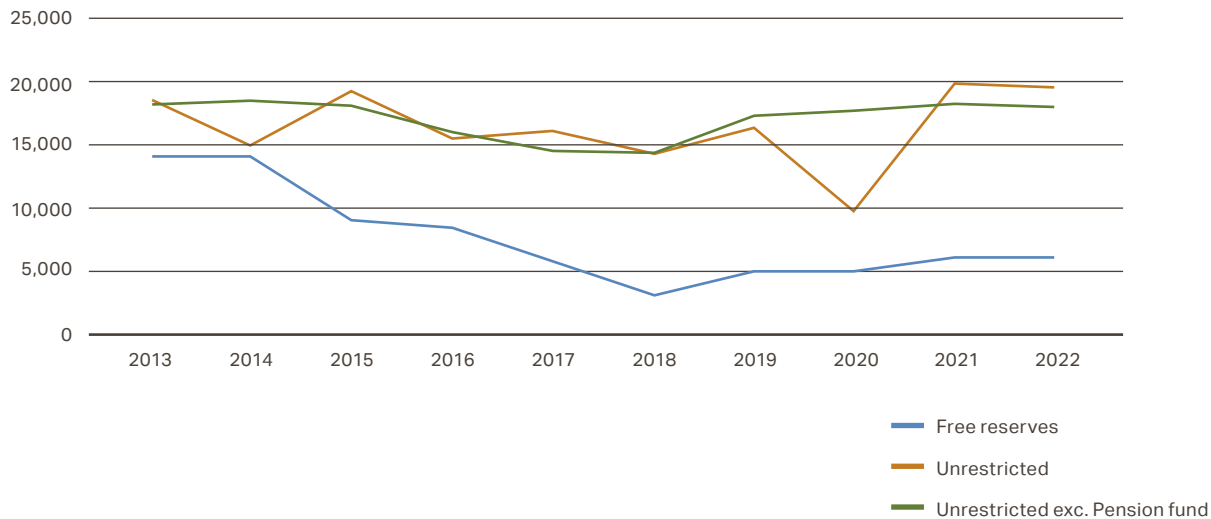
The reserves target is £11.6M (2021 £11.6M). Of this, £7m is required to cover known major repairs to the HQ building. Once any building upgrade goes ahead, these repairs will be included and subsequently this component of the free reserves target could be substantially reduced.

As of 31st December 2022, this calculation of free reserves was as shown:

	2022	2021
	£'000	£'000
Total Charity funds excluding pension liability	33,454	35,150
Less: Endowment funds	(10,618)	(11,842)
Less: Restricted income funds	(3,438)	(3,592)
Unrestricted funds	19,398	19,716
Less: mixed-motive investments	(3,082)	(2,908)
Less: intangible assets	(3,446)	(3,530)
Less: tangible assets	(5,897)	(6,298)
Less: current year pension deficit payments	(500)	(500)
Free reserves	<u>6,473</u>	<u>6,480</u>

The main action to bring the free reserves back to target is the future head office project. Extensive work was completed by a working group during 2022 and a report was presented to trustees early in 2023. Further work continues with a decision by trustees expected in mid 2023.

Figure 5: Trends in unrestricted and free reserves 2013–2022 £000



Trading Entities

The Institution operates four main trading activities through its subsidiary Professional Engineering Projects Ltd and its sub-subsidiaries:

- One Birdcage Walk: provision of venue hire, with catering and other support for events for our London HQ.
- Learning and development (L&D): provision of professional engineering and management training courses.
- IMechE Argyll Ruane (IAR): market leaders in the provision of training, examination and consultancy services to the Non-Destructive Testing (NDT) and coatings sectors.
- Sonaspection: market leading global manufacturer of flawed specimens for the Non-Destructive Testing (NDT) industry.

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

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

PEP Ltd trading performance

Overall trading income for PEP recovered strongly after the COVID-19 downturn seen in previous years. Turnover increased by 53% in 2022 to £10.1M (2021: £6.6M), generating a profit of £0.01M (2021: £0.25M loss) at budgeted exchange rates, after direct costs of £10.1M. There were no R&D tax credit claims received in cash during the year (2021 £0.11M).

There was considerable variability in performance across the four businesses – with L&D being the stand-out performer in what was an exceptional year for the business. By contrast, revenue growth in IAR's market was significantly lower than expected, resulting in significant losses.

Although the four businesses operate largely independently of each other, PEP Ltd holds shared costs. These largely relate to provision by IMechE of finance, HR, IT and legal & professional services, as well as other minor commercial activities. These totalled a net cost of £0.46M in 2022, (2021: £0.39M). The increase follows an internal review which amended some of the recharges to more accurately reflect costs attributable to the trading entities.

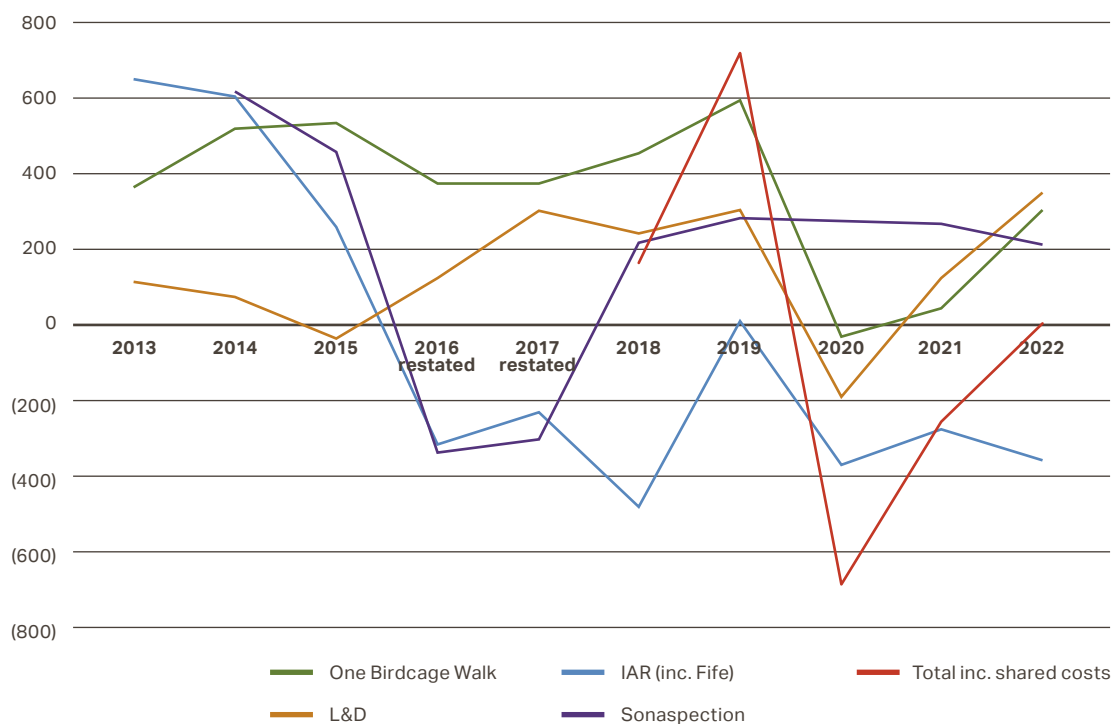
Historical practice has been to present performance in terms of operating profits (excluding the costs of recharged services that are held at PEP level). Our future intent is to move towards reporting of "net profits", expected from 2023, once the PEP and Finance Boards have validated the treatment of these shared costs.

	Revenue		Operating profit/(loss)	
	2022	2021	2022	2021
One Birdcage Walk	1.14	0.36	0.31	0.06
IMechE Argyll Ruane	2.92	2.00	(0.36)	(0.27)
Learning and Development	2.46	1.60	0.37	0.15
Sonaspexion	3.57	2.66	0.21	0.28
Shared costs (held by PEP)			(0.52)	(0.47)
PEP Ltd Group	10.09	6.62	0.01	(0.25)

Longer term trends and strategy

The graphic of operating profit below highlights the beginning of a recovery following the significant impact of COVID on trading performance, as well as some of the trading volatility experienced in these small businesses over the years.

Figure 6: Trading entities operating profit and loss 2013-2022



Three of the trading entities (L&D, IAR and Sonaspection) were acquired for £4.3m over the years 2011-13. Different accounting assumptions have since been applied, complicating the reporting of trends. The cumulative net profit from acquisition through to 2022 of these three businesses (after allocated costs are applied) is estimated to be just above break-even. This lower than expected return, in part, reflects the significant impact of COVID for all of these businesses (costing around £1.0m). With trading performance now improving once more, future returns should be higher.

The businesses, particularly L&D and One Birdcage Walk, also bring indirect benefits through provision of services to members (directly and indirectly). The strategic intent agreed by the Trustee Board is to place greater emphasis on this aspect of value-add, with a more explicit alignment of commercial and learned society strategic goals, while retaining commercial focus and discipline in the businesses. There are plans to carry out market testing in 2023 to assess whether a more entrepreneurial, commercially focussed ownership could give the IAR and Sonaspection businesses and their people greater scope to take advantage of their strong market position and benefit from the many opportunities that exist.

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Our venue hire business, trading under the **‘One Birdcage Walk’** brand recovered strongly as customers began to return to pre-COVID levels of activity.



One Birdcage Walk

Our venue hire business, trading under the 'One Birdcage Walk' brand recovered strongly as customers began to return to pre-COVID levels of activity from Q2 onwards. Income rose to £1.14m (2021: £0.36M), which is approaching the 2019 turnover of £1.35M pre-COVID. Operating profit rose to £0.31M (2021: £0.06M).

The income growth was supported by our investments in re-shaping the marketing team to ensure One Birdcage Walk had direct support, with high numbers of leads generated coupled with strong conversion. The positive trends were adversely impacted in December by strikes on the transport network which led to cancellation or postponement of a number of events. The outlook for 2023 is one of continued growth (10%) that returns us to pre-COVID levels. Profits are expected to be largely unchanged, as additional staffing is required to cope with the recent growth.

In addition, the business has started to offer its professional venue hire capabilities to internal (Institution) customers on a cost neutral basis.



IMechE Argyll Ruane (IAR)

IAR had a challenging year. Although turnover rose from £2.00M to £2.92M, market recovery from COVID, and growth from IAR's new Fife operation, were slower than expected. With resources having been built up in anticipation of rapid growth that did not materialise, this led to a significant operating loss of £0.36M for IAR (2021: £0.27M).

Our strong focus in 2023 is to restore profitability and to put in place a more sustainable business model that capitalises on IAR's market position, reputation and capabilities. This is supported by action taken towards the end of 2022 to address IAR's largely fixed cost base, which included a small restructuring and associated redundancies. The business is under new leadership, following the retirement of the previous general manager.

We are encouraged by the NDT training market showing more positive signs in early 2023, with the COVID-control measures that impacted our international markets having now been lifted. There are also opportunities linked to a new 10 year agreement with the Institute of Corrosion (ICorr) in 2023 to develop and deliver ICorr certified training courses and examinations globally (building on IAR's current UK activities in this area).



Learning and Development

Our training business grew strongly during 2022, aided by enhanced marketing capability, to deliver record turnover and operating profits, despite a small amount of disruption in December from the transport strikes. Income increased by 54% to £2.46M (2021: £1.60M), which supported a significant increase in operating profits to £0.36M (2021: £0.14M).

The intent for 2023 is to consolidate this strong 2022 performance, with modest turnover growth expected. This reflects an uncertain economic outlook and challenging business environment affecting demand. Emphasis is also being given to re-invigorating investment in new products, which includes the introduction of an “early years development programme” targeted at SMEs.

L&D continues to grow its engagement with the Institution’s Groups and Divisions, for example successfully delivering training courses in collaboration with the Railway Division. It is expanding its training portfolio to support broader institutional initiatives relating to net zero.

LEARNING & DEVELOPMENT

Institution of
MECHANICAL
ENGINEERS

Sonaspection

Sonaspection had a mixed performance. Overall turnover rose to £3.57M (2021: £2.66M), partly linked to major deliverables being rephased from December 2021 into Q1 2022 to meet customer requirements. The turnover growth was mainly in the UK. However, operating profits were down 23% to £0.21M (2021: £0.28M) – primarily due to higher than expected costs in the US.

Orders and market interest remained strong in the second half of 2022. The outlook is for turnover to remain broadly flat, with a small decline in the UK as major projects reach their conclusion. This is offset by expected growth in the US. There is a focus on restoring margins to previous levels in the face of significant inflationary impacts on the business (such as cost of energy and raw materials) and of taking action to support sustained profitability of the US operations.

Performance in 2023 will be boosted by receipt of tax credits from the US government business support programme (£100k received in Q1 2023).

SONASPECTION

Institution of
MECHANICAL
ENGINEERS

Balance Sheet

Through the Stephenson LLP fund, we invested in early stage innovation companies until November 2018, in line with our charitable aim of being an impulse to innovation. Further investment is now on hold, outside of the costs necessary to operate the fund for the remainder of its life. At the end of 2022, we had invested £1.9M in 11 companies (2021: £1.8M in 11). The market value of these investments was £3.1M at the end of 2022 (2021: £2.9M), an increase of £0.2M (2021: £0.2M).

Our listed investments decreased to £18.2M (2021: £19.9M) due to market value movements.

Intangible assets remained flat at £3.5M (2021: £3.5M). with amortisation and investment broadly in balance, as predicted last year.

Tangible fixed assets decreased by £0.4M (2021: £0.4M decrease) to £5.9M (2019: £6.3M). Investment in land and property remains low while the future head office project is in the planning stages.

The pension fund remained at a nil deficit at the end of 2022 (2021: nil). Although there were very large movements in asset and liability values, the effect of hedging meant that the overall impact was very small. Due to hedging the sensitivity of the fund has substantially declined with a 0.5% reduction in interest rates leading to a £2.6M increase in pension liabilities (2021: £5.5M). The aim of the Trustees of the pension fund and the Institution is to transfer the total risk to an acceptable financial vehicle, such as an insurance company, in the medium-term.

Due to the decline in investments, group reserves decreased to £33.5M from £35.2M in 2021. The Institution continues to remain financially sound. The Trustee Board is committed to maintaining financial prudence and, in particular, making an overall surplus and increasing free reserves.

Degree of Financial Dependency

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

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

Going Concern

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

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

Membership income is a key income stream and the Institution continues to ensure the delivery of value from being a member to guard against any decline. The experience of 2021 has been incorporated into future forecasts.

As detailed above, Trustees have reviewed sensitivities and approved a 2023 budget reflecting expected levels of income to maintain free reserves during the year.

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

Summary of Funds and Investments

General

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

Investment policy and returns

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

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

Reserve Fund, General Trust and James Clayton Trust

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

Other Trusts

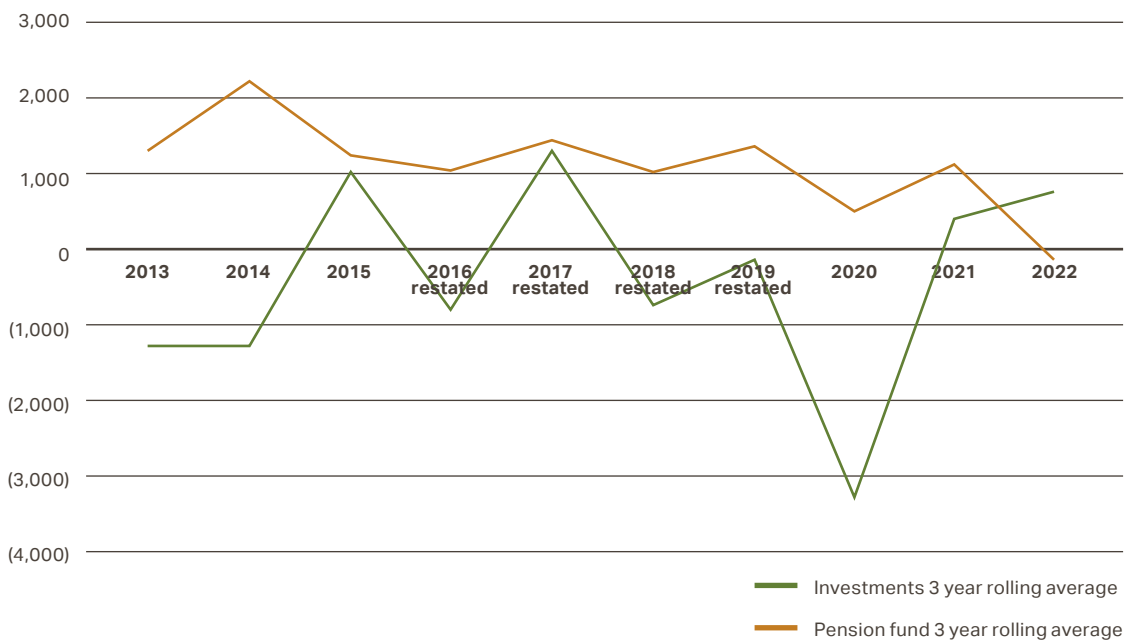
Funds are invested in special pooled funds restricted to charity use. It is not appropriate to set individual objectives for these investments. However, performance is compared against statistics prepared by the Investment Management company.

Financial Review (continued)

A summary of the total annual rates of return (income and capital) achieved on investments during 2022 and 2021 is as follows:

	Year to 31.12.22	Year to 31.12.21
	%	%
Reserve Fund	(6.7)	10.3
General Trust	(6.8)	10.5
James Clayton Trust	(6.8)	10.4
Charities Official Investment Fund income units	(9.1)	17.4
Whitworth Scholarships Fund – Charishare	(0.2)	14.9
Whitworth Scholarships Fund – Charinco	(17.3)	(3.7)

Figure 7: Investment and pension fund gains/losses trends 2013–2022 £000



STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF TRUSTEES' ANNUAL REPORT AND THE FINANCIAL STATEMENTS

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

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

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

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

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

The Trustees are required to act in accordance with the trust deed and the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the Trustees to ensure that, where any statements of accounts are prepared by them under section 132(1) of the Charities Act 2011, those statements of accounts comply with the requirements of regulations under that provision. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities. The Trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's website.

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

Fundraising

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

Disclosure of Information to Auditor

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

This annual report was approved by the Trustee Board on 26 April 2023 and was signed on its behalf by



Phil Peel
President



Clive Hickman
Chair, Finance Board

“”

We saw

190 teams
from **27 countries**
taking part in our 5
Challenge events.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF INSTITUTION OF MECHANICAL ENGINEERS

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Charity's affairs as at 31 December 2022 and of the Group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011, Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006, as amended.

We have audited the financial statements of Institution of Mechanical Engineers ("the Parent Charity") and its subsidiaries ("the Group") for the year ended 31 December 2022 which comprise the consolidated statement of financial activities, the consolidated balance sheets, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Charity in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and

we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions related to going concern

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

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

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Trustee Board's Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 and the Charities

Accounts (Scotland) Regulations 2006 requires us to report to you if, in our opinion;

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

Responsibilities of Trustees

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

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

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 151 of the Charities Act 2011 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that

an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

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

we considered the significant laws and regulations to be the Charities Act in the UK, UK GAAP and UK tax legislation.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the Charity Commission

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management, the Audit & Risk Committee and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these; and
- Assessing the design and operating effectiveness of controls and procedures relevant to the preparation of the financial statements and the detection and prevention of irregularities and fraud.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias, including the valuation and assumptions used to value the defined benefit pension scheme;
- Reviewing performance related payments made to staff, with particular challenge as to whether individuals receiving such payments were able to influence the metrics used to determine amounts to be paid; and
- Incorporating unpredictability into our testing approach through amending the nature and extent of audit procedures.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the Charity's trustees, as a body, in accordance with the Charities Act 2011 and the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the Charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity and the Charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

BDO LLP

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BDO LLP, statutory auditor
London, UK

Date: 28 April 2023

BBDO LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

FINANCIAL STATEMENTS

Year ended 31 December 2022

Consolidated Statement of Financial Activities

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2022 Total £'000	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		10,668	–	–	10,668	6,353
Marketing, Advertising and Merchandise		7	–	–	7	–
Investments						
Interest and Dividends	14	145	556	–	701	637
Other						
Other Income	2	4	–	–	4	91
Rents Receivable		524	–	–	524	506
Total		28,154	556	–	28,710	22,602
Expenditure on:						
Raising funds						
Non-charitable Trading Activities		11,344	–	–	11,344	7,015
Investment Management Costs		6	10	–	16	10
Charitable Activities						
Groups, Divisions and Events		5,236	–	–	5,236	4,369
Marketing		2,182	–	–	2,182	1,686
Business Development		2,148	–	–	2,148	2,395
Apprentice End Point Assessment		2,178	–	–	2,178	1,162
Professional Development		914	–	–	914	763
Information and Library Services		804	–	–	804	801
Membership Subscriptions		2,617	–	–	2,617	2,527
Tenants and Public Facilities		495	–	–	495	400
Prizes, Awards and Scholarships		28	561	–	589	735
Total	3	27,952	571	–	28,523	21,863
Net (losses)/gains on investment assets	13/14	(219)	(139)	(1,224)	(1,582)	1,776
Net (expenditure)/income		(17)	(154)	(1,224)	(1,395)	2,515
Other recognised gains/(losses)						
Actuarial (losses)/gains on defined benefit pension scheme	10	(301)	–	–	(301)	9,425
Net movement in funds		(318)	(154)	(1,224)	(1,696)	11,940
Reconciliation of funds						
Total funds brought forward		19,716	3,592	11,842	35,150	23,210
Total funds carried forward	22	19,398	3,438	10,618	33,454	35,150

The notes to the accounts numbered 1 to 27 form part of these accounts.

Statement of Financial Activities

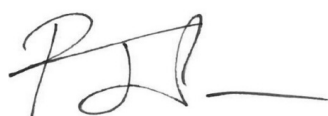
Comparative Information	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2021 Total £'000
Total Income	22,090	512	–	22,602
Total expenditure	(21,202)	(661)	–	(21,863)
Net investment gains	399	252	1,125	1,776
Actuarial losses on defined benefit pension scheme	9,425	–	–	9,425
Net movement in funds	10,712	103	1,125	11,940

Consolidated Balance Sheets as at 31 December 2022

	Notes	2022 £'000	Group 2021 £'000	2022 £'000	Institution 2021 £'000
Fixed Assets					
Intangible assets	11	3,446	3,530	3,172	3,322
Tangible assets	12	5,897	6,298	5,168	5,516
Investments: mixed-motive	13	3,082	2,908	3,082	2,908
Investments: listed	14	18,155	19,876	11,366	12,736
Total fixed assets		30,580	32,612	22,788	24,482
Current Assets					
Stocks	15	191	246	12	–
Debtors	16	3,393	3,175	7,423	7,353
Cash at bank and in hand		7,537	7,210	6,424	6,619
Total current assets		11,121	10,631	13,859	13,972
Liabilities					
Creditors: amounts falling due within one year	17	8,184	8,010	6,687	6,460
Net current assets		2,937	2,621	7,172	7,512
Total assets less current liabilities		33,517	35,233	29,960	31,994
Creditors: amounts falling due after one year	18	63	83	–	–
Total net assets	22	33,454	35,150	29,960	31,994
The Funds of the Charity					
Endowment funds		10,618	11,842	6,632	7,644
Restricted income funds		3,438	3,592	720	702
Unrestricted funds		19,398	19,716	22,608	23,648
Total unrestricted funds		19,398	19,716	22,608	23,648
Total charity funds	21	33,454	35,150	29,960	31,994

The consolidated statement of financial activities is for the Group as a whole. The Charity's total income for the year was £18,096k (2021: £16,229k). The Charity's total funds decreased by £2,034k (2021: £11,708k increase).

The financial statements were approved by the Trustee Board on 26 April 2023 and were signed on its behalf by:



Phil Peel
President



Clive Hickman
Chair, Finance Board

The notes to the accounts numbered 1 to 27 form part of these accounts. Charity Registration No: 206882.

Consolidated Statement of Cash Flows

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities:			
Net cash provided by/(used in) operating activities	25	848	1,805
Cash flows from investing activities:			
Dividends, interest and rent from investments	14	701	637
Purchase of property, plant and equipment	12	(311)	(366)
Proceeds from sale of property, plant and equipment		7	5
Purchase of mixed-motive investments	13	(36)	(35)
Purchase of intangible assets	11	(864)	(1,030)
Proceeds from sale of investments	14	–	3
Cash awaiting investment		–	12
Net cash used in investing activities		(503)	(774)
Cash flows from financing activities:			
New bank loans		–	100
Bank loan repayments		(18)	–
Net cash flows provided by financing activities		(18)	100
Change in cash and cash equivalents in the reporting period		327	1,131
Cash and cash equivalents at the beginning of the reporting period		7,210	6,079
Cash and cash equivalents at the end of the reporting period		7,537	7,210

The notes to the accounts numbered 1 to 26 form part of these accounts.

Analysis of Net Funds

Group	Balance 01.01.2022 £'000	CashFlows £'000	Balance 31.12.2022 £'000
Cash and cash equivalents			
Cash awaiting investment	41	–	41
Cash at bank and in hand	7,210	327	7,537
	7,251	327	7,578
Borrowings			
Debt due within one year	(17)	(2)	(19)
Debt due after one year	(83)	20	(63)
	(100)	18	(82)
Total	7,151	345	7,496

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting Policies

The Charity is registered with the Charity Commission (registered number: 206882), and the Scottish Charity Regulator (registered number: SCO51227) domiciled in the UK and is a public benefit entity and incorporated by Royal Charter in 1930. The address of the registered office is 1 Birdcage Walk, London, SW1H 9JJ

a) Basis of preparation

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

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

The annual accounts have been prepared on the historical cost basis of accounting, modified by the recognition of certain financial assets and liabilities measured at fair value.

b) Going concern

The Trustees have considered several factors in concluding that the adoption of a going concern basis in the preparation of these financial statements is appropriate. These factors have included a summary of the key risks and uncertainties in the context of the Institution's operations (including COVID-19) and a review of the budgets and forecasts, including cash flows and sensitivity analysis.

The budgets and forecasts consider the mitigating actions the Institution can deploy and consider both immediate liquidity and longer term solvency, together with the impact on reserves.

Working capital requirements are met through a combination of income received from the Institution's activities, including commercial activities undertaken in the Institution's trading subsidiaries. The Institution has the ability to drawdown against funds held within the Institution's unrestricted investment portfolio if required. The Institution does not have any debt facilities other than the bounce back loans taken out by two commercial subsidiaries (Notes 17 and 18).

The impact of the COVID-19 on the Institution's operations has substantially reduced during the year and we expect there to be no further impact in the future, subject to unexpected developments in new variants. However, the move to on-line activities will partially remain through a permanent hybrid approach which has proved both effective and popular, with some permanent cost savings as a result.

Membership income is a key income stream and the Institution continues to ensure the delivery of value from being a member to guard against any decline. The experience of 2021 has been incorporated into future forecasts.

1. Accounting Policies (continued)

As detailed above, Trustees have reviewed sensitivities and approved a 2023 budget reflecting expected levels of income to target a cash surplus during the year.

Having regard to the above, the Trustees believe there are no material uncertainties and therefore it is appropriate to adopt the going concern basis of accounting in preparing the financial statements.

c) Basis of consolidation

Consolidated figures for the Institution and group companies (see note 2 to the accounts) have been included in these financial statements for the year ended 31st December 2022. Companies acquired by the group are consolidated on an acquisition basis ie fair values are attributed to the Group's share of the net tangible assets and where the cost of acquisition (being the fair value of the purchase consideration and the expenses of the acquisition) is greater than the fair values attributable to such net assets, the difference is treated as goodwill.

d) Income

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

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

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

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

Income from contracts for the provision of professional services (professional development, information and library services, consultancy, flawed samples categories) is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. When the outcome cannot be estimated reliably, income is recognised only to the extent of the expenses recognised that are recoverable.

Income from events, apprentice end-point assessment, venue hire, training and exam services, are recognised on the basis of the amount receivable in the period in which the event takes place. Income from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, the amount can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the entity.

1. Accounting Policies (continued)

e) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

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

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

Freehold land is not depreciated.

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

f) Goodwill

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

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

g) Website and digital transformation costs

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

1. Accounting Policies (continued)

h) Impairment of tangible and intangible assets

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

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

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

i) Financial assets

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS102 to all of its financial instruments.

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

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

1. Accounting Policies (continued)

j) Financial liabilities

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

k) Investments

Listed investments are stated at market value, valued at their bid price, at the balance sheet date.

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

Mixed-motive investments

The Institution formed a limited partnership with Stephenson LP in February 2014 to make venture capital investments into a portfolio of companies involved in or associated with young innovative engineering businesses. This investment has a genuine mixed motive because investment is being made both for financial return but also to advance engineering. The investment is held at fair value based on the most recent share sale prices of the underlying investments, less any impairment. If there is objective evidence of impairment, then an immediate impairment loss is recognised in the statement of financial activities.

l) Foreign currency

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

m) Expenditure

Expenditure is included in the Statement of Financial Activities on an accruals basis and is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

n) Stocks

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

1. Accounting Policies (continued)

Work-in progress is assessed on an individual basis based on the stage of completion of the contract which is estimated using combination of the milestones in the contract and the time spent to date compared to the total time expected to be required to undertake the contract. Estimates of the total time required to undertake the contracts are made on a regular basis and subject to management review. These estimates may differ from the actual results due to a variety of factors such as efficiency of working, accuracy of assessment of progress to date and client decision making.

See note 15 for the disclosure of the amount of work in progress as at the balance sheet date. Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

o) Retirement benefit

The Charity operates a defined benefit pension scheme which was closed to new members in 2002 and is also closed to future accrual. It also operates a defined contribution scheme open to existing staff.

Defined benefit pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability.

For the defined benefit pension scheme, the current service costs, gains and losses on settlements and curtailments, and administrative costs are charged to expenditure. They are included as part of staff costs. Actuarial gains and losses are recognised immediately in 'Other recognised gains/(losses)'.

For the defined contribution scheme, the amounts charged to expenditure in respect of pension costs and the post-retirement benefits are the contributions payable in the year.

p) Operating leases

Rents payable under operating leases are recognised in the Statement of Financial Activities in the year in which they fall due.

Future commitments under operating leases are disclosed in the notes to the financial statements.

q) Grant commitments

Scholarships are awarded for a period of study, usually three academic years, with the students' progress being assessed on an annual basis.

Expenditure is not accrued beyond each academic year as future payments are subject to a review by the relevant panel which therefore has discretion to terminate the funding agreement in case the performance related conditions are not met.

Prizes are paid in one instalment at the beginning of the academic year, with the exception of scholarships through the Whitworth fund, which are paid in three termly instalments.

Multi-year grants that do not meet the recognition criteria are disclosed as contingent liabilities in the notes to the financial statements.

1. Accounting Policies (continued)

r) Critical accounting estimates and judgements

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities have been outlined as follows.

Intangible fixed assets

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

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

Unlisted investments

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

Actuarial assumptions in respect of defined benefit pension schemes

The application of actuarial assumptions relating to defined benefit pension schemes is incorporated in the financial statements in accordance with FRS102. In applying FRS102, advice is taken from independent qualified actuaries. In this context, significant judgement is exercised in a number of areas, including future changes in salaries and inflation, mortality rates and the selection of appropriate discount rates.

Bad debt provision

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

1. Accounting Policies (continued)

s) Reserves

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

t) Taxation

As a charity the Institution is exempt from corporation tax. The tax expense represents the sum of the corporation tax currently payable and deferred tax in the commercial subsidiaries. The companies liabilities for current tax are calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Input VAT relating to taxable activities is fully recoverable, and relating to exempt and out of scope activities is irrecoverable. VAT on support costs is partially recoverable, with the recoverable percentage being recalculated each year. Any irrecoverable VAT is recognised as an expense through support costs in the period to which it relates.

u) Heritage assets

Heritage assets comprise:

- printed books
- archives
- works of art and artefacts

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

2. Net Incoming Resources

The consolidated results for the Institution are presented in the statement of financial activities. These include the activity of the parent charity, The Institution of Mechanical Engineers, and the activities of its 100% owned subsidiaries, as detailed below. The incoming resources of the Institution alone for 2022 were £18,096k (2021: £16,229k), and resources expended in 2022 were £18,601k (2021: £15,125k).

Other Income

	2022	2021
	£'000	£'000
Government grants - furlough scheme	–	90
Profit on disposal of fixed assets	4	1
	4	91

Subsidiary companies

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

The company also has four wholly owned subsidiary companies, IMechE Services Ltd (Reg N 01361114), IMechE Fife NDT Limited (Reg N 01917207), Siantonas Ball Ltd (Reg N 01655732), Sonaspection Worldwide Limited (Reg N 04891363), all registered in England and Wales, which carry on non-charitable trading activities. These activities are consolidated on a line by line basis with the relevant amounts described as "Other non-charitable trading activities" under Incoming Resources and Resources Expended in the Consolidated Statement of Financial Activities. Siantonas Ball Ltd became dormant on 1st January 2014.

Sonaspection Worldwide has two wholly owned subsidiary companies, Sonaspection International Limited (Reg N 02050101) registered in England and Wales and Sonaspection Incorporated registered in the United States of America, which carry on non-charitable activities. These activities are consolidated on a line by line basis with the relevant amounts described as "Other non-charitable trading activities" under Incoming Resources and Resources Expended in the Consolidated Statement of Financial Activities.

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

The Whitworth Scholarships Fund, registered charity No. 313756, was established in 1868 under a deed of covenant and trust between Sir Joseph Whitworth and the then President of the Committee of Council on Education. The Fund is now governed under the terms of a Scheme made by the Charity Commissioners for England and Wales dated 11 December 2001, with the Institution of Mechanical Engineers as the controlling entity.

2. Net Incoming Resources (continued)

Subsidiary Companies 2022

	PEP	Sona Int'l	Sona Inc	IMechE Services	IMechE Fife NDT	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	6,041	2,557	1,028	–	469	10,095
Cost of Sales	(2,308)	(1,438)	(710)	–	(354)	(4,810)
Gross profit	3,733	1,119	318	–	115	5,285
Distribution costs	–	(57)	–	–	(1)	(58)
Administration costs	(3,812)	(715)	(425)	(3)	(247)	(5,202)
Interest payable to the Institution	(148)	–	–	–	–	(148)
Profit/(loss) on ordinary activities before tax	(227)	347	(107)	(3)	(133)	(123)
Taxation	–	2	–	–	–	2
Profit/(loss) for the year	(227)	349	(107)	(3)	(133)	(121)
Total assets	4,707	2,755	588	–	582	8,632
Total liabilities	(7,371)	(375)	(860)	(23)	(124)	(8,753)
Total funds	(2,664)	2,380	(272)	(23)	458	(121)

Subsidiary Companies 2021

	PEP	Sona Int'l	Sona Inc	IMechE Services	IMechE Fife NDT	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	3,774	1,716	771	–	112	6,373
Cost of Sales	(1,194)	(855)	(422)	–	(40)	(2,511)
Gross profit	2,580	861	349	–	72	3,862
Distribution costs	–	(31)	(28)	–	–	(59)
Administration costs	(2,974)	(600)	(372)	(3)	(212)	(4,161)
Interest payable to the Institution	(108)	–	–	–	–	(108)
Other income	70	–	83	–	–	153
Profit/(loss) on ordinary activities before tax	(432)	230	32	(3)	(140)	(313)
Dividends payable	–	–	–	–	–	–
Taxation	82	(27)	–	–	–	55
Profit/(loss) for the year	(350)	203	32	(3)	(140)	(258)
Total assets	4,091	2,534	523	–	938	8,086
Total liabilities	(7,370)	(503)	(689)	(21)	(347)	(8,930)
Total funds	(3,279)	2,031	(166)	(21)	591	(844)

3. Expenditure

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

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

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

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

Resources expended 2022

	Direct Costs	Allocated Support Costs	Total
	£'000	£'000	£'000
Raising funds			
Non Charitable activities	10,533	811	11,344
Investment management costs	16	–	16
Charitable activities			
Marketing and Policy	993	1,189	2,182
Groups, Divisions and Events	3,516	1,720	5,236
Business development	1,141	1,007	2,148
Apprentice End Point Assessment	1,956	222	2,178
Professional development	353	561	914
Library	484	320	804
Membership	1,069	1,548	2,617
Public facilities – Birdcage Walk	–	495	495
Prizes, Awards and Scholarships	589	–	589
Total resources expended	20,650	7,873	28,523

Resources expended 2021

	£'000	£'000	£'000
Raising funds			
Non Charitable activities	6,051	964	7,015
Investment management costs	10	–	10
Charitable activities			
Marketing and Policy	814	872	1,686
Groups, Divisions and Events	2,587	1,782	4,369
Business development	1,011	1,384	2,395
Apprentice End Point Assessment	1,048	114	1,162
Professional development	289	474	763
Library	475	326	801
Membership	1,064	1,463	2,527
Public facilities – Birdcage Walk	–	400	400
Prizes, Awards and Scholarships	735	–	735
Total resources expended	14,084	7,779	21,863

3. Expenditure (continued)**Allocated Support Costs
2022**

	Governance & Management	Finance	Information Technology	Facilities & Depreciation	Defined Benefit Pension Scheme	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Non-charitable activities	137	180	356	138	–	811
Marketing	465	87	261	339	37	1,189
Groups, Divisions and Events	673	126	377	490	54	1,720
Business Development	394	74	220	287	32	1,007
Apprentice End Point Assessment	90	17	50	65	–	222
Professional Development	219	41	123	160	18	561
Information and Library Services	120	22	67	101	10	320
Membership Subscriptions	606	113	339	441	49	1,548
Tenants and Public Facilities	–	–	–	495	–	495
Total support costs allocated	2,704	660	1,793	2,516	200	7,873
Allocation basis	<i>Headcount</i>	<i>Headcount</i>	<i>Headcount</i>	<i>Floor Area</i>	<i>Headcount</i>	

2021

	£'000	£'000	£'000	£'000	£'000	£'000
Non-charitable activities	140	180	300	344	–	964
Marketing	307	78	173	272	42	872
Groups, Divisions and Events	628	159	354	555	86	1,782
Business Development	488	123	275	431	67	1,384
Apprentice End Point Assessment	42	11	24	37	–	114
Professional Development	167	42	94	148	23	474
Information and Library Services	112	28	63	108	15	326
Membership Subscriptions	516	130	291	455	71	1,463
Tenants and Public Facilities	–	–	–	400	–	400
Total	2,400	751	1,574	2,750	304	7,779
Allocation basis	<i>Headcount</i>	<i>Headcount</i>	<i>Headcount</i>	<i>Floor Area</i>	<i>Headcount</i>	

Support costs comprises finance, IT, HR, maintenance and running costs of One Birdcage Walk, closed defined-benefit pension costs, governance and management of IMechE.

These costs are allocated to IMechE's charitable and commercial activities on a pro-rata basis using headcount or floor area.

To resolve a dispute at the Institution, and acting in the best interests of the charity and with Charity Commission approval, the charity has made a settlement payment of £125k to a past Trustee with no admission of liability, which is included in the Governance and Management costs.

4. Taxation

The Institution is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable trust for UK income tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Part 10 Income Tax Act 2007 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The charity's trading subsidiaries are subject to corporation tax; however all of their taxable profits are paid to the Institution under gift aid.

5. Transactions with Members of the Trustee Board

	2022	2021
	£'000	£'000
Travel and subsistence expenses	25	3
	No.	No.
Number of members reimbursed	6	2

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

The Trustees nor any person connected with them receive remuneration.

6. Indemnity Insurance

	2022	2021
	£'000	£'000
Indemnity insurance premiums paid	10	13

During 2022 the Institution paid for two insurance policies, covering professional indemnity and the liabilities of Trustees and "directors and officers". Cover applies to the Trustee Board, ordinary members involved with Institution affairs and employees.

7. Staff Employed

	2022	2021
	No.	No.
Average numbers of staff employed throughout the year:		
The Institution of Mechanical Engineers	137	130
Professional Engineering Projects Limited	49	42
Sonaspection International Ltd	21	18
Sonaspection Incorporated	11	6
IMechE Fife NDT Ltd	6	4
Total employees	224	200

8. Employment Costs

	2022	2021
	£'000	£'000
Salaries and benefits	9,908	8,479
Employer's social security costs	1,046	798
Employer's pension costs	557	467
Total	11,511	9,744

The numbers of employees whose emoluments, excluding employer's pension contributions, exceeded £60,000 are analysed as follows:

	2022	2021
	No.	No.
£60,001 - £70,000	15	15
£70,001 - £80,000	9	7
£80,001 - £90,000	6	3
£90,001 - £100,000	4	3
£100,001 - £110,000	2	2
£110,001 - £120,000	1	-
£120,001 - £130,000	1	-
£130,001 - £140,000	-	1
£150,001 - £160,000	-	1
£170,001 - £180,000	1	-
£180,001 - £190,000	1	-
Total	40	32

8. Employment Costs (continued)

40 of the above employees are members of the defined contribution scheme and none (2021: 30) are active members of the defined benefit scheme. The Institution contributed £233,403 as employer pension contributions (2021: £144,456) for these members into the defined contribution scheme.

During the year key management received remunerations and benefits of £733,328 (2021: £516,665). The remuneration of key management consists of salary, employers' national insurance contributions, pension contributions and benefits in kind.

Number of Directors in 2022: 5 (2021: 4)

The charity designated five directors as key management personnel.

	2022	2021
	£'000	£'000
Highest paid director - Dr Alice Bunn (2021: Sean Fox)		
Salary	163	137
Benefits	10	21
Total	173	158

6 employees were made redundant during the year (2021: 4). The cost of redundancies of £141,292 was paid during 2022 (2021: £103,181). Included within these costs were ex-gratia costs of £43,562, payable to 5 people (2021: £31,451 to 4 people).

9. Auditor's Remuneration

	2022	2021
	£'000	£'000
Fees for: the audit of 2022 financial statements	101	75
Fees for: the audit of other group companies	47	32
Fees for: in relation to the prior year audit	7	75
Total	155	182

10. Pensions

The Institution operates a defined benefit pension arrangement called the Institution of Mechanical Engineers Staff Pension & Life Assurance Scheme (the Scheme). The Scheme is closed to new members with an effective date of 5 September 2002, and is closed to future accrual. The most recent comprehensive actuarial valuation of the Scheme was carried out as at 31 December 2020, and the next valuation of the Scheme is due as at 31 December 2023.

A defined contribution pension plan has been established for employees who are not eligible to join the defined benefit pension scheme. The Institution has agreed to match employee contributions to the defined contribution plan up to a maximum of 10% of salary. There is an outstanding contribution at the end of the financial year of £112,661 (2021: £102,388).

The pension cost charge for the period represents contributions payable by the Institution to the defined benefit pension plan and amounted to £500,000 (2021: £410,000).

Assumptions

	2022	2021
	%	%
Price inflation (RPI)	3.00	3.10
Price inflation (CPI)	2.60	2.70
Salary increases	3.50	3.60
Return on Assets	*	*
Discount rate	4.70	1.80

* Equal to the discount rate (in line with FRS102).

Mortality assumptions used in 2022 and 2021 are based on the S3PxA tables adjusted to reflect the broad wealth characteristics of each member. Future improvements are assumed to be in line with the CMI projection model, assuming improvements have peaked. The long term improvement is assumed to be 1.25% p.a. (2021: 1.25% p.a.), with weight parameters of 15% (2021: 0%). Members are assumed to take 80% of the maximum cash at retirement.

The assumptions result in life expectancies as follows:

	31.12.22	31.12.21
	years	years
Male aged 45	87.7	88.3
Male aged 65	86.5	87.0
Female aged 45	90.6	91.0
Female aged 65	89.2	89.5

Notes to the Accounts for the year end (continued)

10. Pensions (continued)

Current asset split

**Bid values as at
31 Dec 2022**
£'000

Equities	19,488
Liability Driven Investments	17,210
Corporate Bonds	3,292
Global Asset-Backed Securities	18
Cash	322
Annuities	40
Total assets	40,370

Balance sheet

2022 **2021**
£'000 £'000

Fair value of plan assets	40,370	62,437
Present value of funded obligations	(39,067)	(60,516)
Surplus/(deficit) in scheme	1,303	1,921
Effect of asset ceiling	(1,303)	(1,921)
Net defined benefit asset/(liability)	–	–

Amount recognised in SOFA

2022 **2021**
£'000 £'000

Current service cost	200	180
Interest on liabilities	1,071	873
Interest on assets	(1,108)	(750)
Interest on effect of asset ceiling	35	–
Total charge to SOFA	198	303

Remeasurements over the period

2022 **2021**
£'000 £'000

Loss/(gain) on assets in excess of interest	21,387	(4,725)
Experience losses/(gains) on liabilities	2,048	(305)
Losses/(gains) from changes to demographic assumptions	(719)	(1,177)
Losses/(gains) from changes to financial assumptions	(21,762)	(5,139)
Losses/(gains) from change in effect of asset ceiling	(653)	1,921
Total remeasurements	301	(9,425)

10. Pensions (continued)

Change in the value of assets

	2022	2021
	£'000	£'000
Fair value of assets at start of period	62,437	58,484
Interest on assets	1,108	750
Company contributions	500	410
Benefits paid (including expenses)	(2,288)	(1,932)
Return on assets less interest	(21,387)	4,725
Fair value of assets at end of period	40,370	62,437
Actuarial return on assets	(20,279)	

Change in value of the DB liabilities

	2022	2021
	£'000	£'000
Value of liabilities at start of period	60,516	68,016
Current service cost	200	180
Interest on liabilities	1,071	873
Benefits paid (including expenses)	(2,288)	(1,932)
Experience (gain)/loss on liabilities	2,048	(305)
Changes to demographic assumptions	(719)	(1,177)
Changes to financial assumptions	(21,762)	(5,139)
Value of liabilities at end of period	39,066	60,516

Reconciliation of effect of asset ceiling

	2022	2021
	£'000	£'000
Effect of asset ceiling at start of period	1,921	–
Interest on effect of asset ceiling	35	–
Actuarial losses/(gains) on effect of asset ceiling	(653)	1,921
Effect of asset ceiling at end of period	1,303	1,921

Notes to the Accounts for the year end (continued)

10. Pensions (continued)

Sensitivity of the value placed on the liabilities

Approximate effect
on liability
£'000

Discount rate -0.5% p.a.	+ 2,636
Inflation +0.5% p.a.	+ 1,234
Long term rate of mortality improvement increased to 1.5% p.a.	+ 263

Projected SOFA charge for next period

2023
£'000

Current service cost	200
Interest on liabilities	1,791
Interest on assets	(1,859)
Interest on effect of asset ceiling	61
Total charge to SOFA	193

The deficit shown in the accounts reflects the methodology and assumptions required to be used for accounting purposes.

The Institution expects to pay contributions of £500,000 in the year to 31 December 2023.

11. Fixed Assets – Intangible Assets

Group	Goodwill	Website & DM costs	Total
	£'000	£'000	£'000
Cost			
At 1 January 2022	5,232	5,705	10,937
Additions	–	864	864
At 31 December 2022	5,232	6,569	11,801
Depreciation			
At 1 January 2022	5,232	2,175	7,407
Amortisation charged	–	948	948
At 31 December 2022	5,232	3,123	8,355
Net Book Value			
At 31 December 2022	–	3,446	3,446
At 1 January 2022	–	3,530	3,530

Institution

	£'000	£'000
Cost		
At 1 January 2022	5,360	5,360
Additions	739	739
At 31 December 2022	6,099	6,099
Depreciation		
At 1 January 2022	2,038	2,038
Amortisation charged	889	889
At 31 December 2022	2,927	2,927
Net Book Value		
At 31 December 2022	3,173	3,173
At 1 January 2022	3,322	3,322

Website and Digital Modernisation Programme, Platform costs

The intangible assets for the Institution are represented by Website and Digital Modernisation (DM) costs. The website development was completed in March 2016 and begun being amortised from April. The DM projects started to come into use during 2019 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 2022	10,789	2,324	13,113
Additions	24	287	311
Disposals/movements	–	(63)	(63)
At 31 December 2022	10,813	2,548	13,361
Depreciation			
At 1 January 2022	5,103	1,712	6,815
Disposals/movements	–	(61)	(61)
Depreciation charged	435	275	710
At 31 December 2022	5,538	1,926	7,464
Net Book Value			
At 31 December 2022	5,275	622	5,897
At 1 January 2022	5,686	612	6,298

Institution

	£'000	£'000	£'000
Cost			
At 1 January 2022	10,347	1,068	11,415
Additions	13	158	171
Disposals/movements	–	(53)	(53)
At 31 December 2022	10,360	1,173	11,533
Depreciation			
At 1 January 2022	5,028	871	5,899
Disposals/movements	–	(53)	(53)
Depreciation charged	385	134	519
At 31 December 2022	5,413	952	6,365
Net Book Value			
At 31 December 2022	4,947	221	5,168
At 1 January 2022	5,319	197	5,516

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

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

12. Fixed Assets – Tangible Assets (continued)

Heritage Assets

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

The collection is broadly split into the following categories:

Printed Works

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

Archives

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

Works of Art and Artefacts

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

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

There have been 4 donations made in 2022 (2021:3). No further additions or disposals of heritage assets were made in the last 2 years.

13. Investments – Mixed Motive

Group and Institution

	Cost	2022 Market Value	Cost	2021 Market Value
Analysis of Investments - UK	£'000	£'000	£'000	£'000
Stephenson LLP	1,879	3,082	1,843	2,908

Movement of Investments	2022 £'000	2021 £'000
Market value at 1 January	2,907	2,679
Acquisitions	36	35
Net investment (loss)/gain	139	193
Market value at 31 December	3,082	2,907
Unrealised investment gain at 31 December	1,193	1,054

14. Fixed Assets – Investments

Group

	Cost	2022 Market Value	Cost	2021 Market Value
Analysis of Investments - UK	£'000	£'000	£'000	£'000
Fixed Interest Unit Trusts	170	474	170	599
Equities Unit Trusts	1,312	6,314	1,312	6,542
Charities Official Inv. Fund Income Units	1,066	3,091	1,066	3,502
Cash	41	41	41	41
Property – let on 999 year lease	9	9	9	9
	2,598	9,929	2,598	10,693
Multi-Asset Funds	7,815	8,226	7,815	9,183
Total Investments	10,413	18,155	10,413	19,876

14. Fixed Assets – Investments (continued)

	Cost	2022 Market Value	Cost	2021 Market Value
Analysis of Funds and Ranges	£'000	£'000	£'000	£'000
Reserve Fund – Unrestricted				
Free range	3,028	3,111	3,028	3,470
	3,028	3,111	3,028	3,470
Whitworth Scholarships Fund				
Restricted	819	2,803	819	2,942
Endowment	663	3,986	663	4,198
	1,482	6,789	1,482	7,140
General Trust				
Wider range	3,378	3,632	3,378	4,055
	3,378	3,632	3,378	4,055
James Clayton				
Wider range	1,450	1,523	1,450	1,699
Special – property	9	9	9	9
	1,459	1,532	1,459	1,708
Education and Research				
Charities Official Inv. Fund Income Units	829	2,380	829	2,697
Sundry Small Trusts				
Charities Official Inv. Fund Income Units	237	711	237	806
	10,413	18,155	10,413	19,876

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

The investments of the Reserve Fund, General Trust and James Clayton Trust are managed by Schroder & Co Ltd. Investments of the Whitworth Scholarships Fund are managed by Blackrock Investment Management (UK) Ltd. The let property is part of the James Clayton Trust Fund and was included as part of assets left to the Institution in the will of the late James Clayton. A summary of the investment powers can be found in the Administrative Details section.

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

Notes to the Accounts for the year end (continued)

14. Fixed Assets – Investments (continued)

	2022	2021
	£'000	£'000
Movement of Investments		
Market value at 1 January	19,835	18,257
Sales proceeds	–	(3)
Net investment gain / (loss)	(1,721)	1,581
Market value (excluding cash) at 31 December	18,114	19,835
Cash awaiting investment	41	41
Total market value at 31 December	18,155	19,876
Historic cost at 31 December	(10,413)	(10,413)
Unrealised investment gain at 31 December	7,742	9,463
	2022	2021
	£'000	£'000
Dividends receivable from unit trusts	689	637
Bank interest - general funds	12	–
	701	637

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

15. Stocks

	Group		Institution	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Work in progress	29	128	–	–
Finished goods and goods for resale	162	118	12	–
	191	246	12	–

16. Debtors

	Group		Institution	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Amounts due within 1 year:				
Trade debtors	2,439	2,169	664	523
Other debtors incl VAT, other taxes	57	206	55	171
Prepayments and accrued income	897	800	699	642
Amounts due from group companies	–	–	1,726	896
	<u>3,393</u>	<u>3,175</u>	<u>3,144</u>	<u>2,232</u>
Amounts due after more than 1 year:				
Loans due from group companies	–	–	4,279	5,121
	<u>3,393</u>	<u>3,175</u>	<u>7,423</u>	<u>7,353</u>

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

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

In 2022, the Trustees agreed to write off £842,292 of the loan balance. This amount related to the acquisition of a company that is no longer trading.

17. Creditors – Amounts Falling Due Within One Year

	Group		Institution	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Trade creditors	866	902	586	594
Other creditors	156	155	157	156
Accruals	1,429	1,645	879	1,202
Grants payable	174	169	–	–
Bank loan	19	17	–	–
Taxation and social security	1,021	308	928	241
	<u>3,665</u>	<u>3,196</u>	<u>2,550</u>	<u>2,193</u>
Deferred income	4,519	4,814	4,137	4,267
Total creditors	<u>8,184</u>	<u>8,010</u>	<u>6,687</u>	<u>6,460</u>

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

17. Creditors – Amounts Falling Due Within One Year (continued)

	Group		Institution	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Reconciliation of deferred income:				
Balance at 1 January	4,814	4,706	4,267	4,314
Amount released to income	(4,806)	(4,706)	(4,264)	(4,314)
Amount deferred in the year	4,511	4,814	4,134	4,267
Balance at 31 December	4,519	4,814	4,137	4,267

18. Creditors – Amounts Falling Due Greater than One Year

	Group		Institution	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Bank loan	63	83	–	–

The bank loans were issued under the COVID-19 'Bounce-back' scheme in January 2021. No interest charges or repayments were due for the first 12 months. The loan now bears interest at 2.5% and is repayable over a five year period.

19. Operating Lease Commitment

The operating lease charges represent leasehold leases from 3rd parties. The leases are negotiated over terms of 10 years and rentals are fixed for two years. All leases include a provision for five-yearly upward rent reviews according to prevailing market conditions. The next rent review will take place in 2024. The total of future minimum lease payments under non-cancellable operating leases for each of the following periods is:

	2022	2021
	£'000	£'000
Within one year	115	109
Between one and five years	475	482
Over five years	251	311
	841	902

20. Grant Commitments

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

	Group		Institution	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Scholarship commitments due within one year	153	159	82	91
Scholarship commitments due after one year	395	458	46	76
Total scholarship commitments	548	617	128	167

21. Analysis of Group Net Assets Between Funds

Group

	Unrestricted	Endowment	Restricted	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
				2021 Total
Fund balances at 31 December 2021 are represented by:				
Intangible fixed assets	3,530	–	–	3,530
Tangible fixed assets	6,298	–	–	6,298
Investments: listed	3,389	13,438	3,049	19,876
Investments: social	2,908	–	–	2,908
Current assets and liabilities	3,674	(1,596)	543	2,621
Non-current liabilities	(83)	–	–	(83)
	19,716	11,842	3,592	35,150

21. Analysis of Group Net Assets Between Funds (continued)**Institution**

Fund balances at 31 December 2022 are represented by:	Unrestricted	Endowment	Restricted	2022 Total
	£'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

Fund balances at 31 December 2021 are represented by:	Unrestricted	Endowment	Restricted	2021 Total
	£'000	£'000	£'000	£'000
Intangible fixed assets	3,322	–	–	3,322
Tangible fixed assets	5,516	–	–	5,516
Investments: listed	3,389	9,240	107	12,736
Investments: social	2,908	–	–	2,908
Current assets and liabilities	8,513	(1,596)	595	7,512
	23,648	7,644	702	31,994

22. Capital and Income Funds – Analysis**Group**

	Balance 01.01.2022	Incoming Resources	Resources Expended	Gains & (Losses)	Balance 31.12.2022
	£'000	£'000	£'000	£'000	£'000
Unrestricted Funds					
Institution, Reserve Fund & PEP Ltd	19,716	28,154	(27,952)	(520)	19,398
Restricted Funds					
Whitworth Scholarships Fund	2,890	237	(270)	(139)	2,718
General Trust (includes legacy)	–	159	(159)	–	–
James Clayton Trust	68	67	(54)	–	81
Trust for Education and Research	364	71	(70)	–	365
Sundry small trusts	270	22	(18)	–	274
	3,592	556	(571)	(139)	3,438
Endowment Funds					
Whitworth Scholarships Fund	4,198	–	–	(212)	3,986
General Trust (includes legacy)	2,968	–	–	(423)	2,545
James Clayton Trust	1,636	–	–	(177)	1,459
Trust for Education and Research	2,430	–	–	(317)	2,113
Sundry small trusts	610	–	–	(95)	515
	11,842	–	–	(1,224)	10,618
Total funds	35,150	28,710	(28,523)	(1,883)	33,454

22. Capital and Income Funds – Analysis (continued)

Institution

	Balance 01.01.2022 £'000	Incoming Resources £'000	Resources Expended £'000	Gains & (Losses) £'000	Balance 31.12.2022 £'000
Unrestricted Funds					
Institution, Reserve Fund	23,648	17,780	(18,300)	(520)	22,608
Restricted Funds					
General Trust (includes legacy)	–	159	(159)	–	–
James Clayton Trust	68	67	(54)	–	81
Trust for Education and Research	364	71	(70)	–	365
Sundry small trusts	270	22	(18)	–	274
	702	319	(301)	–	720
Endowment Funds					
General Trust	2,968	–	–	(423)	2,545
James Clayton Trust	1,636	–	–	(177)	1,459
Trust for Education and Research	2,430	–	–	(317)	2,113
Sundry small trusts	610	–	–	(95)	515
	7,644	–	–	(1,012)	6,632
Total funds	31,994	18,099	(18,601)	(1,532)	29,960

23. Trust and Prize Fund Individual Accounts

General Trust

Benefactors comprise

James Bates	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	Frank Radcliffe
Carl Louis Breedon	Alfred Rosling Bennett Premium
Henry Stacey Cattermole	Clarence Noel Goodall
Engineering Applied to Agriculture	Charles S Lake
Filtration	Rover Midlander
M M Flatman	T A Stewart Dyer
Thomas Hawksley	Fredrick Harvey Trevithick
Hele-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 William	L Marson
Alexander Agnew Meritorious	Margaret Winifred Astridge
Alastair Graham-Bryce	

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

24. Related Party Transactions

	2022 £'000	2021 £'000
Amounts due from Professional Engineering Projects Limited	1,050	726
Amounts due from IMechE Services Limited	17	18
Amounts due from Sonaspection International Limited	68	40
Amounts due from IMechE Fife NDT Limited	442	113
Loan due from Professional Engineering Projects Limited	4,279	5,121
All amounts are considered to be repayable on demand during the year except the loan which has a 53 week notice period of repayment		
Transactions with Professional Engineering Projects Limited	(4)	(19)
Professional Engineering Projects Limited		
Amounts due to Siantonas Ball Limited	(223)	(233)
Amounts due to IMechE Fife NDT Limited	(218)	(731)
Amounts due to Sonaspection International Limited	(158)	(14)
Transactions with IMechE Fife NTD Limited	106	31
Transactions with Sonaspection International Limited	(90)	(38)

Dr Clive Hickman, appointed as Trustee on 25 May 2022, is the Chief Executive at The Manufacturing Technology Centre Limited and its subsidiary, MTC Operations Limited. Heather Clarke, appointed as Trustee in May 2017, is a non-executive director at The Manufacturing Technology Centre Limited. In 2022, the Institution and its subsidiaries paid the MTC Group £26,157 (2021: £7,998) for event attendance, and catering and venue hire services. The Institution and its subsidiaries charged the MTC Group £17,992 (2021: £3,068) for event attendance, accreditation fees, and standard samples. MTC Group also sponsors the apprentice challenge by providing the facility free of charge for the event. At 31 December 2022, the balance receivable was nil (2021: £3,068) and the balance payable was nil (2021: nil).

Helena Rivers, originally elected as a Trustee on 24 May 2017, is also a director at AECOM. The Institution has charged a fee to AECOM for MPDS accreditation visits for a number of years. Fees charged were £nil for the year ended 31 December 2022 (2021: £500). There was no balance outstanding as at 31 December 2022 (31 December 2021: nil).

Neil Kelly is a director of Sonaspection International Limited appointed on 29th June 2020, whose close related family member is the owner of Kelly Contracting. Kelly Contracting provide electrical material and labour and have been providing a service for a number of years. Kelly Contracting charged £3,222 during the year to 31 December 2022 (2021: £4,781). Kelly Contracting has a balance payable as at 31 December 2022 of £0 (2021: nil).

25. Reconciliation of Net Income to Net Cashflow from Operating Activities

	2022 £'000	2021 £'000
Net (expenditure)/Income for the reporting period (as per the statement of financial activities):	(1,395)	2,515
Adjustments for:		
(Gain)/Loss on disposal of tangible assets	(4)	(1)
Amortisation	948	863
Impairment loss	–	247
Depreciation charges	710	762
Dividends and interest	(701)	(637)
(Increase)/decrease in debtors	(218)	(619)
Increase/(decrease) in creditors	172	676
(Increase)/decrease in stocks	55	(118)
(Gain)/losses on investments	1,582	(1,776)
Net cash provided by operating activities before pension scheme costs	1,149	1,912
(Increase)/decrease in Defined benefit pension scheme costs	(301)	(107)
Net cash provided by operating activities	848	1,805

26. Financial Instruments

	Group		Institution	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Financial assets measured at amortised cost	10,224	9,760	7,208	8,264
Financial liabilities measured at amortised cost	2,707	2,802	1,622	1,951
Financial assets measured at fair value	21,237	19,875	14,448	12,735

27. Consolidated Statement of Financial Activities 2021

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2021 Total £'000	Restated 2020 Total £'000
Income and Endowments from:					
Donations and legacies	113	–	–	113	72
Charitable activities					
Membership subscriptions	12,436	–	–	12,436	12,468
Groups, Divisions and Events	1,117	–	–	1,117	578
Professional development and Membership	174	–	–	174	205
Information and Library services	3	–	–	3	4
Apprentice End Point Assessment	1,172	–	–	1,172	411
Other trading activities					
Venue hire, Training, Exam Services, Consultancy, Flawed Samples	6,353	–	–	6,353	6,461
Investments					
Interest and Dividends	125	512	–	637	634
Other					
Other income	91	–	–	91	399
Rents Receivable	506	–	–	506	697
Total	22,090	512	–	22,602	21,929
Expenditure on:					
Raising funds					
Non-charitable trading activities	7,015	–	–	7,015	7,665
Investment management costs	–	10	–	10	9
Charitable activities					
Groups, Divisions and Events	4,369	–	–	4,369	3,856
Marketing	1,686	–	–	1,686	1,769
Business Development	2,395	–	–	2,395	2,229
Apprentice End Point Assessment	1,162	–	–	1,162	455
Professional development	763	–	–	763	826
Information and Library Services	801	–	–	801	787
Membership Subscriptions	2,527	–	–	2,527	2,345
Tenants and Public Facilities - -	400	–	–	400	506
Prizes, Awards and Scholarships	84	651	–	735	556
Total	21,202	661	–	21,863	21,003
Net income/(expenditure) before gains/(losses) on investment assets	888	(149)	–	739	926
Net Gains /(losses) on investment assets	399	252	1,125	1,776	(742)
Net income/(expenditure) before amortisation of goodwill	1,287	103	1,125	2,515	184
Net (expenditure)/Income	1,287	103	1,125	2,515	184
Other recognised gains / (losses)					
Actuarial gains/(losses) on defined benefit pension scheme	9,425	–	–	9,425	(7,081)
Net movement in funds	10,712	103	1,125	11,940	(6,897)
Reconciliation of funds					
Total funds brought forward, as previously stated	9,004	3,647	10,717	23,368	30,243
Opening balance adjustment	–	(158)	–	(158)	(136)
Total funds brought forward, as restated	9,004	3,489	10,717	23,210	30,107
Total funds carried forward	19,716	3,592	11,842	35,150	23,210

“““

Staff enjoyed the first away day since the pandemic which was a chance to meet colleagues, share ideas and have fun.

1

Golden Switch

IMECHE STAFF AWAY DAY 2022

ADMINISTRATIVE DETAILS

Name

The Institution of Mechanical Engineers

Address of principal office

1 Birdcage Walk, Westminster, London, SW1H 9JJ

Charity registration numbers

Charity Commission of England & Wales: The Institution and subsidiary prize and award funds are registered under 206882. The Whitworth Scholarship Funds are registered under 313756.

Office of Scottish Charity Regulator: The Institution is registered under SCO51227.

Governing document and constitution

The Institution was founded in 1847 and was incorporated by Royal Charter in 1930. Digital copies of the Royal Charter and By-Laws are available from the Corporate Governance team via governance@imeche.org.

Trustees

The Trustee Board comprises the President, two Deputy Presidents, three Vice-Presidents, an International Vice-President and five or more ordinary members. All Trustees are elected by the Corporate and Associate Membership of the Institution.

Trustees are required to retire after a maximum of 3 years in post.

Trustees met 8 times for Board Meetings supported by the Executive team during 2022 (2021:9). In addition to the 8 main Trustee Board meetings, the Trustees also met on 7 other separate occasions in 2022 to discuss specific issues.

	Number of meetings attended	Number of meetings in session
Professor Emeritus G Britton (appointed 23 June 2022, due to retire 24 May 2023)	4	4
C Chong (appointed 09 September 2022, due to retire 25 May 2023)	2	2
H A Clarke (due to retire 25 May 2023)	5	8
B M Eickhoff (due to retire 22 May 2024)	8	8
P Flinn (retired 25 May 2022)	3	3
M P J Garside (retired 25 May 2022)	3	3
G S Hartill (due to retire 22 May 2024)	7	8
Dr C Hickman OBE (due to retire 21 May 2025)	4	5
R G Hodgkinson (retired 25 May 2022)	3	3
Dr R C B Judge (due to retire 21 May 2025)	6	8
Professor D Nowell (due to retire 21 May 2025)	6	8
R M O'Brien (due to retire 25 May 2023)	5	8
P J Peel (due to retire 25 May 2023)	8	8
V Raman (due to retire 21 May 2025)	8	8
H C Rivers (due to retire 25 May 2023)	7	8

Elected' and 'retired' relate to the normal transition of Trustees at the beginning and end of their periods of elected office. 'Appointed' and 'resigned' relate to other changes outside this normal process.

Administrative Details (continued)

Chief Executive:

Dr Alice Bunn

Key Management Personnel:

This includes the Chief Executive and four Directors:

Human Resources Director	Bims Alalade
Finance and Commercial Director	Sean Fox
Membership Operations Director	Joanna Horton
Engineering Policy and Impact Director	James Partington

Professional advisers

Auditor:

BDO LLP, Baker Street, London W1U 7EU

Bankers:

National Westminster Bank PLC
PO Box 113, Cavell House, 2A Charing Cross Road London WC2H 0PD
CAF Bank Limited
25 Kings Hill Avenue, Kings Hill, West Malling, Kent ME19 4JQ

Investment managers:

Schroder & Co Limited
12 Moorgate, London EC2R 6DA
Blackrock Investment Management (UK) Limited
33 King William Street, London EC4R 9AS
CCLA Investment Management Limited
80 Cheapside, London EC2V 6DZ

Solicitors:

Mills & Reeve LLP
Botanic House, 1 Hills Road, Cambridge CB2 1PH
Bristows
100 Victoria Embankment London EC4Y 0DH

Pension advisers:

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

“““

Sir Patrick Vallance, the Government's Chief Scientific Adviser, launched our 175 anniversary celebrations by giving a lecture at Birdcage Walk.





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