

# TRUSTEE BOARD'S REPORT AND ANNUAL ACCOUNTS.

Institution of  
**MECHANICAL  
ENGINEERS**

Year Ended 31 December 2021



Improving the world through engineering



# CONTENTS

## TRUSTEES' REPORT

President's Statement	05
Chief Executive's Statement	07
COVID-19 and Ukraine Statements	08
Headlines	09
Our Year in Numbers	10
Environmental Sustainability and Social Responsibility Report	13
Global Membership	14
Strategic Objectives	17
Strategic Goals	23
Future Plans	29
Structure, Governance and Management of the Charity	36
Financial Review	47
Statement of Trustees' Responsibilities	58

## AUDITOR'S REPORT 61

## FINANCIAL STATEMENTS 65

## ADMINISTRATIVE DETAILS 98

“”

Being President of the Institution of Mechanical Engineers has been an unforgettable experience.



# PRESIDENT'S STATEMENT

In the latter part of 2021, we started our celebrations to mark the 175 years of our Institution's existence. In the autumn of 1846, a small group of prominent engineers of the day called a series of meetings where they proposed the arrangements for a new society to be called 'The Institution of Mechanical Engineers'. They wanted to help engineers to learn by meeting and corresponding and, through their efforts, 'provide an impulse to inventions useful to the world'.

And that's what we are still doing! Our strategy work in 2021 has confirmed our aim of being a world-leading, global and inclusive engineering membership organisation. It is from this base that we can collectively aspire to 'improve the world through engineering'.

On a more practical level, the continuing COVID-19 epidemic didn't make this easy in 2021. However, we managed a full programme of activities, sometimes delivered in an unconventional manner. As always when under pressure, new ways of doing things have emerged, mainly online, which will help us in the future as we grow our presence across the world.

In the middle of 2021, Dr. Colin Brown retired from the CEO position having worked for 3 years in this demanding role in challenging circumstances. We are all grateful for his reassuring presence both over this period and in earlier years. Our new CEO, Dr Alice Bunn, has made an energetic start and I have enjoyed working with her as we take our Institution forward. In particular, we have through her guidance started to improve our impact with government and policymakers.

Another part of our history, the Birdcage Walk building, has continued to occupy our attention. By the turn of the year, we had completed a substantial consultation about future options and in early 2022 we launched an indicative poll with three fundamentally different options. This poll, in which over 10,000 members took part, found that the option of keeping One Birdcage Walk as our headquarters building had most support from members. Confirmation of this approach requires approval in a Special Meeting after which, all being well, we can proceed with the much-needed building programme.

Terry Spall was our President for the first five months of 2021, and I would particularly like to thank him for his emphasis on concluding the member-led governance changes started several years ago. Those changes are now bearing fruit: we have a much more active Nominations Committee under Isobel Pollock-Hulf OBE that is casting the net widely in seeking out new volunteers and improving the diversity of our active-member community. We have launched our Strategy Committee, led by Giles Hartill, and that is giving greater clarity to our long-term thinking; and our Technical Strategy Board overseen by Paul Jones is setting out the direction for our learned society work at a time when technological opportunities could not be greater.

Finally, I wish Phil Peel well as he takes up the 2022/23 presidency. Phil, as Chair of the Finance Board, has overseen our finances for the last four years. During this period, the financial position has stabilised and improved considerably. I'm confident that he will rise to the wider leadership role of President.

Thank you to everyone - members and our excellent staff - who have supported me during the last twelve months; being President of the Institution of Mechanical Engineers has been an unforgettable experience.

**Peter Flinn**

136th President of the Institution of Mechanical Engineers

“““

Only by placing Inclusion, Impact, Innovation and Integrity at the core of everything we do will we be successful.



# CHIEF EXECUTIVE'S STATEMENT

In 2021 we have kick-started our efforts to improve the world through engineering, focusing on some key policy priorities. Ahead of COP26 we hosted an innovative event on climate and sustainability, opened by Chris Skidmore MP, and focused on the energy transition, future transport and the built environment. It was wonderful to see all five of our Challenges return in 2021, a mix of physical and hybrid formats enabled us to maximise participation and inclusivity. Just before the close of 2021 we demonstrated great innovation and integrity working with the NHS to develop the standard to which UV air sanitisers in hospitals should adhere. As an Institution we continue to evolve and innovate with the recent successful recognition by Ofqual as an End Point Assessment Organisation demonstrating the Institution's ongoing commitment to supporting and recognising the contribution and value of apprenticeships to industry.

We've done this by working as one team, across staff and members. Supporting and developing our members is the essence of the Institution, while during 2021 we made some changes internally to improve support, we look forward in 2022 to developing our offer and ensuring that the Institution remains relevant providing the best opportunities for developing, upskilling and reskilling, our engineers and technicians worldwide for the challenges of the next 175 years! Our focus will be directed towards how we can best support employers as well as enhancing services that provide career long professional development to strengthen our engineering community.

We've been successful because we have recognised the importance of a shared set of values to success, continuing this great initiative of my predecessor, Dr Colin Brown, working across the whole Institution. A very visible demonstration of this has been the rollout of our diversity and inclusion learning programme, where staff and members have come together for some frank and open conversations, sharing experiences with a view to co-creating a solid foundation for closer working in the future. Together we have committed this effort because shared values are not some 'fluffy nice-to-have', they are critical to the successful delivery of the vision of the Institution. Only by placing Inclusion, Impact, Innovation and Integrity at the core of everything we do will we be successful.

Of course, 2021 was another challenging COVID year, and I would especially like to thank staff who continued through these difficult times with great integrity to increase our overall financial resilience. That same spirit came through in our achievement of the Gold Standard in Investors In People - a thoroughly deserved testament to the hard work of managers and staff across the Institution over the last few years. As one team we are committed to continuing to make the Institution a great place to work, and an Institution to be proud of.

We are looking forwards to furthering our influence and impact of sound engineering advice to societal policies across the world, following the keynote speech from Sir Patrick Vallance on our 175th anniversary. The systems of systems approach that will be necessary to improve our world through engineering will require us to draw on all our values.

I'd like to conclude by thanking all of the staff, Trustee Board and Council – and Directors, Peter Flinn and Martin Robinson in particular - for their support to me in starting this new role. I'd also like to thank past president Terry Spall and past CEO Colin Brown, for handing on the ship in such good shape – onwards for the next 175 years!

**Dr Alice Bunn**  
CEng FRAeS FIMechE

# COVID-19 AND UKRAINE STATEMENTS

## COVID-19

Much of the period covered by this Report has continued to be significantly affected by the coronavirus pandemic (COVID-19). The lockdown in the early part of 2021 had a longer and more significant impact on our activities than we had anticipated when setting our 2021 plans. However, the new virtual procedures implemented during 2020 allowed us to maintain a good level of activity.

After an opening up in the summer, we were able to return to Formula Student at Silverstone as part of a larger hybrid event to allow participation by those teams, (particularly international ones), not able to attend in person.

Our commercial activities rebounded quite strongly in the final four months of the year and, after a small impact from Omicron, now look set for a progressive return to pre-COVID-19 normality. Institution activities were more strongly affected in December and early 2022, with a reversion to virtual activities, but here too we are now seeing a return to physical events with the removal of all government restrictions.

## UKRAINE

In responding to the terrible situation in Ukraine the Institution is co-ordinating with other bodies across the sector to ensure a consistent response.

So far we have:

- signposted towards engineering council guidance for Ukrainian engineers entering the UK;
- directly contacted all our members in Ukraine and Russia to offer support, including through our support network;
- paused our lapsing campaign for members based in Russia or Ukraine;
- reviewed our investment portfolio to confirm there is negligible investment through Russia;
- reviewed our knowledge transfer activities in view of the sanctions currently in place;
- confirmed that no pension payments will be blocked due to wider financial sanctions in place.

# HEADLINES

## FINANCE

- Overall free reserves grew during the year, with a significant surplus in the Charity
- We saw greatly reduced losses in our trading subsidiaries
- Capital expenditure was reduced compared to budget

## STRATEGIC GOALS

- We have 67,037 members in paying grades vs target of 66,224
- We saw 2,829 new professionally registered engineers
- All five Challenges took place in physical, virtual or hybrid form
- Four new international student chapters set up
- We had over 200 courses in our training portfolio
- Our Library saw nearly 500,000 online downloads

## CULTURE

- We held online workshops with staff and members to explore diversity and inclusion



Free reserves grew during the year with a significant surplus in the Charity.

We have  
**67,037**  
members in  
paying grades vs target  
of 66,224.

**2,829**  
new professionally  
registered engineers.



Online workshops held with staff and members to explore diversity and inclusion.

# OUR YEAR IN NUMBERS





## LIBRARY

**468,536** online library downloads  
7 webinars with **1495** registrations



## INTERNATIONAL REGIONS

**4** new Student Chapters set up



## IMPLEMENTATION GROUP

**80** recommendations implemented



## MEMBERSHIP AND BUSINESS DEVELOPMENT

**25** University Accreditation visits  
(23 virtual; 2 physical)  
**52** Company Accreditation visits  
**2,090** Professional Registration Interviews conducted  
**2,829** New professionally registered engineers  
**3,767** Attendees at  
open virtual professional  
registration events



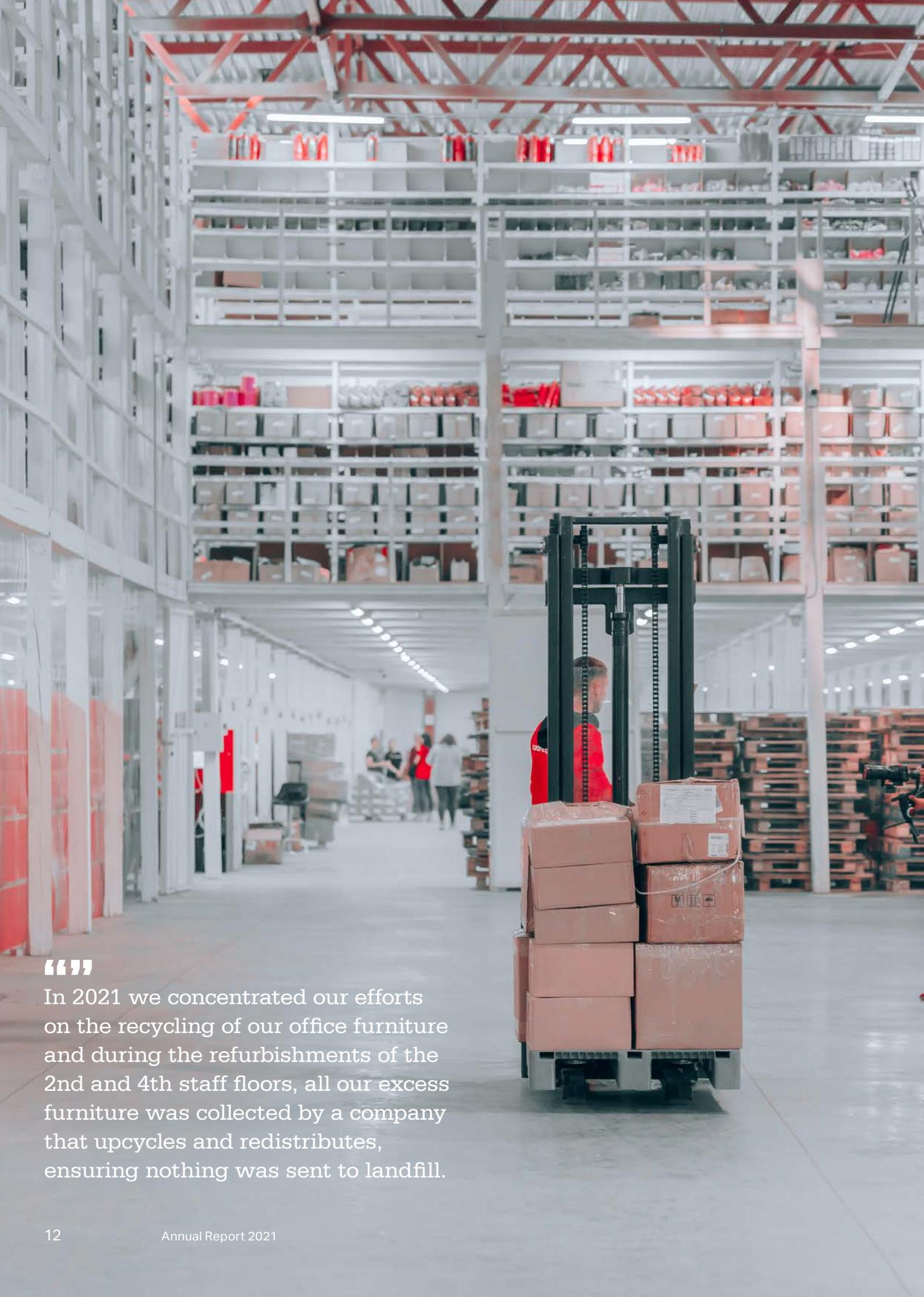
## COMMUNICATIONS

**175** anniversary celebrations  
launched



## PRIZES AND AWARDS

Over **60** main awards made



“““

In 2021 we concentrated our efforts on the recycling of our office furniture and during the refurbishments of the 2nd and 4th staff floors, all our excess furniture was collected by a company that upcycles and redistributes, ensuring nothing was sent to landfill.

# ENVIRONMENTAL SUSTAINABILITY AND SOCIAL RESPONSIBILITY REPORT

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

We continue to seek to reduce the volume of waste being sent to landfill and in 2020 we were able to award our daily refuse contract to a contractor with a zero to landfill policy. In 2021 we concentrated our efforts on the recycling of our office furniture and during the refurbishments of the 2nd and 4th staff floors, all our excess furniture was collected by a company that upcycles and redistributes, ensuring nothing was sent to landfill.

Following another three-month lockdown at the beginning of the year and continued low occupancy of the building throughout the year, our electricity consumption in 2021 fell to 386 MWh from 432 MWh in 2020 and our gas to 436 MWh in 2021 from 482 MWh.

Despite the disruption caused by COVID-19 restrictions, we have invested in technology to equip most of our meeting rooms with enhanced video conferencing facilities and carried out repairs to essential plant equipment, replacing the most worn-out pumps with new, energy efficient units.

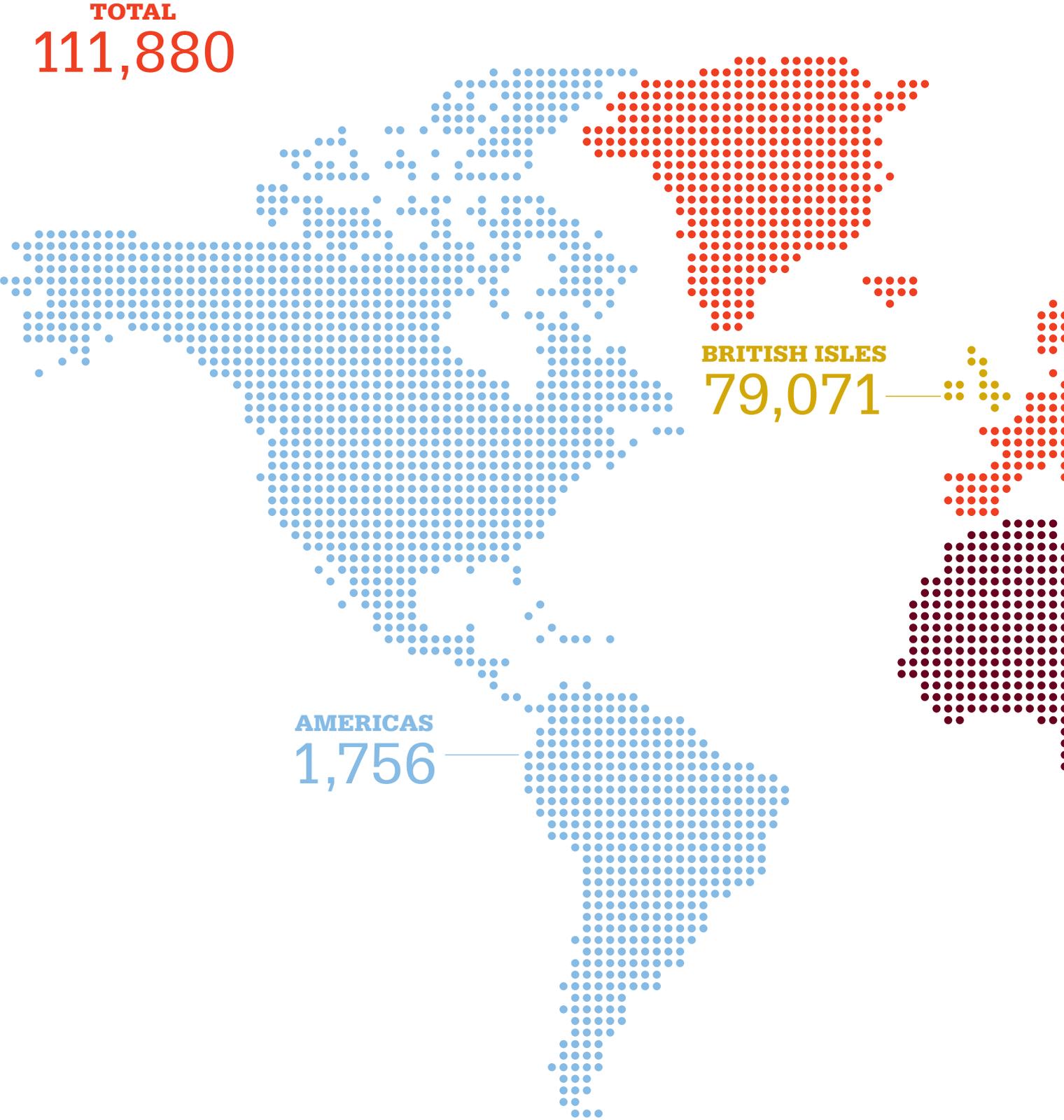
As in 2020, our corporate social responsibility activities were severely limited by COVID-19 but our Cheer team led by Facilities Manager, Jonny Bilsby were able to build on last year's success and continue with the virtual "Giving Tree" raising £483.00 for the Kidsout charity.

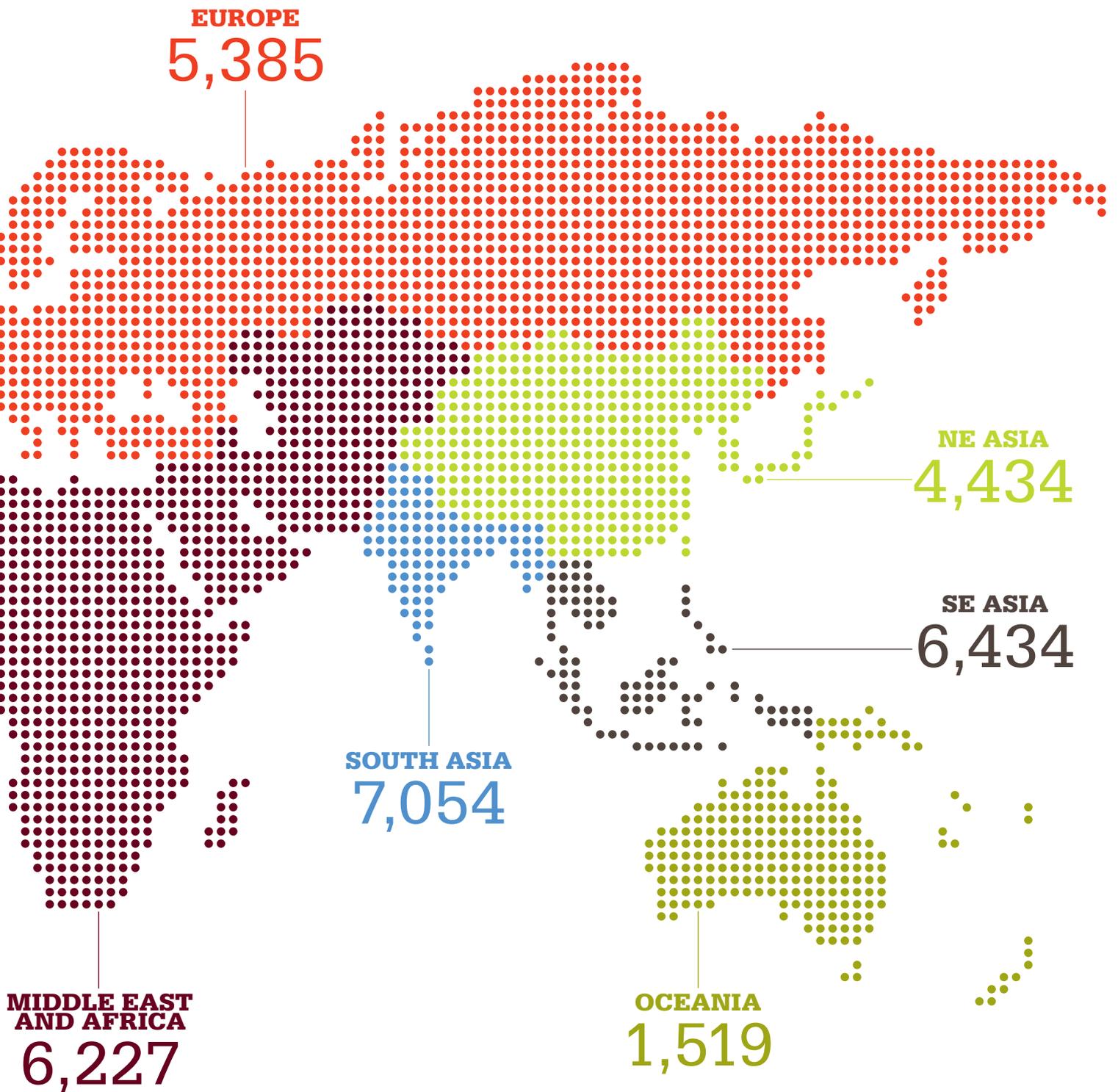


**In 2021 we concentrated on recycling of our unwanted office furniture, ensuring nothing went to landfill.**

# GLOBAL MEMBERSHIP

Figure 1: Global membership by Institution Membership Region





“”

A package of support for committees to run virtual events in 2021 has been designed and shared with the member networks, including training and a user guide for committees wishing to run their own events via Teams.



# STRATEGIC OBJECTIVES



Objective achieved



Objective not achieved

Given the continuing difficulties imposed by the COVID-19 restrictions, we have had to work hard to achieve our objectives and are pleased to have improved slightly to ten out of the eighteen goals complete, up from nine in 2020.

## CULTURE

### OBJECTIVE

**CG 1 Output: Continue the programme in conjunction with the D&I committee to embed values in Trustees, employees and all members.**

### WHAT WE SAID WE'D DO

**KPI: Publish a handbook of inclusive and respectful behaviours for staff and volunteers, alongside the launch of a new D&I strategy. Report on tangible evidence of change by year-end.**

The first phase of the D&I programme, including the executive team, trustees and other senior staff and members, is almost complete and the second phase participants have been selected. The handbook has now been moved to a second stage workstream under values and behaviours, and is now expected to be delivered in the first half of 2022.

### OBJECTIVE

**CG 2 Output: Improve on the 2020 baseline for environmental reporting.**

### WHAT WE SAID WE'D DO

**KPI: The Real Estate Strategy Group plans for Birdcage Walk, to show environmental benefit above legal minimum requirement.**

Until a member vote on a specific proposal for the future of OBW has been held, this KPI cannot be progressed further.



**Embedding our values is key to ensuring members and staff feel they belong to the Institution.**

## FOUNDATIONS

### Cost effective facilities, systems & processes (FSP)

#### OBJECTIVE

**FSP 1 Output: : Improved reporting based on new finance and HR systems.**

#### WHAT WE SAID WE'D DO

**KPI: Clearer cost allocation across our Foundations and High-Level Goals, that show charity efficiency and the impact of COVID across all sectors.**

A report with costs allocated across all goals was developed and presented to the Finance Board. This will be further refined in future years.

#### OBJECTIVE

**FSP 2 Output: Digital offerings to improve member experience and hence retention and growth.**

#### WHAT WE SAID WE'D DO

**KPI: Use an IT Planning Group, to create a digital improvement programme, to follow on from the end of the digital modernisation investment. Enable fully remote working for all and be class leading in hybrid delivery.**

The IT Planning Group reported to the Strategy Committee with a number of recommendations which are being progressed.

Although none of the strands of the Digital Member Engagement Project were delivered as planned in 2021 due to issues with IT development resource, significant progress was made on the Committee Management Hub which is due to launch in June 2022.



**We delivered 853 virtual classrooms in 2021 and worked with over 600 engineering companies.**

## Best practice governance and leadership (G&L)

### OBJECTIVE

**G&L 1 Output: Conclude the implementation of the Finance, Governance and Code of Conduct Reviews.**

### WHAT WE SAID WE'D DO

**KPI: All recommendations to be either delivered, or to have clearly defined deferral plans, by the end of May.**

The Implementation Group's Close Out Report in June 2021 recorded 80 of the 96 recommendations arising from the three corporate reviews (Governance; Finance; Code of Conduct / Disciplinary) had been implemented. The Close Out Report was published to the membership and can be viewed on the IG webpage. The 16 remaining recommendations were allocated to the executive to implement the agreed solutions, and their implementation status will be reported to the Trustee Board during 2022.

### OBJECTIVE

**G&L 2 Output: Ensure key audits are carried out across the Institution.**

### WHAT WE SAID WE'D DO

**KPI: One third of all internal audits to be complete by year-end, as part of a three-year rolling programme.**

An audit proposal has been prepared and a number of audits conducted, but less than the one third target.



**Our Implementation Group reported that 80 of the 96 recommendations arising from the three corporate reviews have been implemented.**

## Financial resilience (FR)

### OBJECTIVE

**FR 1 Output: Manage capital expenditure within overall cashflow, and grow free reserves to a target defined by a policy based on our risk register.**

### WHAT WE SAID WE'D DO

**KPI: Maintain free reserves at 2020 year-end (ahead of any asset disposals and market value movements) and reflect on the future impact of the new reserves policy.**

Overall free reserves have grown during the year with a significant surplus in the charity, greatly reduced losses in our trading subsidiaries, reduced capital expenditure compared to budget, and investment gains.

### OBJECTIVE

**FR 2 Output: Complete the property strategy review.**

### WHAT WE SAID WE'D DO

**KPI: Publish a clear plan for all real estate, and start to implement the long-term plan for London HQ.**

Options for the future of OBW have been published. Following an extensive programme of consultation, an indicative member poll was conducted early in 2022 and a proposal will be presented to a Special Meeting at a future date to be determined.



**Over 10,000 members took part in the indicative poll we carried out to understand their views about the future of Birdcage Walk.**

## Skilled, engaged and motivated staff and volunteers (S&V)

### OBJECTIVE

**S&V 1 Output: Deliver improved induction, training, & development for staff and volunteers.**

### WHAT WE SAID WE'D DO

**KPI: Collect data from, and report on, member satisfaction for all Operating and Governance Boards.**

Given the deferral of the volunteer handbook and training projects into 2022, it was agreed not to undertake a volunteer satisfaction survey during 2021. A new staff role of Volunteer Development and Training Manager was appointed during the year to enhance the support to the member networks.

### OBJECTIVE

**S&V 2 Output: Project Respect influencing organisational change.**

### WHAT WE SAID WE'D DO

**KPI: All employee reviews to recognise and track values and behaviours equally with other goals and objectives. The CEO to lead by explicit example.**

The behaviours and definitions outlined in the new one page Code of Conduct ('Act with care and competence', 'Act with integrity in a reliable and trustworthy manner', 'Engage responsibly with the environment', and 'Contribute positively to the culture and public perception of the profession and the Institution') were included in the 20 value focus groups.



Our values have evolved to focus on "four Is" - Integrity, Innovation, Impact and Inclusion.

“”

All five Challenges took place in 2021, with a combination of physical, virtual and hybrid elements.



# STRATEGIC GOALS



Objective achieved



Objective not achieved

## Support and develop engineers (SDE)

### OBJECTIVE

**SDE 1 Output: Upgrade accredited IPD offering to drive employer engagement.**

### WHAT WE SAID WE'D DO

**KPI: Launch and report on employer and member satisfaction with the new MPDS system.**

It remains the intention to undertake a user survey on the new version of MPDS launched in 2021. Several fixes have already been made to the initial launch version, and further fixes and improvements are still be worked on and delivered. The survey will be undertaken at the point when there has been stability in the system for some time and will also align with the review planned in the 2022 Business plan.

### OBJECTIVE

**SDE 2 Output: Agree and publish a clear long term membership strategy.**

### WHAT WE SAID WE'D DO

**KPI: Define and implement a cost-effective global programme, to improve both recruitment and member retention based on data profiling and differentiated offerings, as part of an explicit Institution-wide long-term strategy.**

We continue to work to develop the long-term strategy in conjunction with the Strategy Committee and look to develop the plan to deliver this including through a range of research projects in early 2022 to assist with defining the scope.



In 2021, we had 67,037 members in the paying grades vs. target of 66,224.

## Maintain professional standards (MPS)

### OBJECTIVE

**MPS 1 Output: Achieve net registration targets in line with resources applied.**

### WHAT WE SAID WE'D DO

**KPI: Stabilise membership through focussed acquisition, retention and conversion, to maximise net paying members.**

Member applications to end 2021 were lower overall, which was primarily due to the lower number of students and apprentices applying. The continuing difficulty engaging in person with students, and most particularly with apprentices, has been a contributing factor.

However, the numbers of applications to the Corporate and Associate grades were relatively stable on 5,301 vs. 5,471: CEng and Associate down, IEng up, EngTech stable.

Overall membership ended the year at 111,880 vs. a target of 113,282 with 67,037 members in the Corporate and Associate grades vs. a target of 66,224.

### OBJECTIVE

**MPS 2 Output: Improve the member offering for continuous professional development.**

### WHAT WE SAID WE'D DO

**KPI: Publish and take action on a critique across all of our CPD offerings reflecting their popularity with members.**

In view of the number of high priority communications being sent out to members at the end of 2021 and in the early part of 2022 including on governance matters and the proposed changes to One Birdcage Walk, it was agreed that an additional survey on CPD offerings would be deprioritised.



**Delivered 853 virtual classrooms in 2021, whilst working with over 600 engineering companies. There are now over 200 courses on our training portfolio.**

## Encourage and disseminate knowledge and invention (EKI)

### OBJECTIVE

**EKI 1 Output: Expand engagement in the Challenges over 2020.**

### WHAT WE SAID WE'D DO

**KPI: Create inclusive hybrid solutions to retain engagement post-COVID alongside the historical physical events.**

All five Challenges took place in 2021, with a combination of physical, virtual and hybrid elements. No physical events were possible at all during the 2020 season, and the Design Challenge was cancelled entirely that year, so 2021 represented a significant expansion on the previous year.

### OBJECTIVE

**EKI 2 Output: Increased attendance (physical + virtual) across Training & Learned Society programme.**

### WHAT WE SAID WE'D DO

**KPI: Retain member engagement at the high levels achieved in 2020 from virtual activity in preference to a return to a physical default.**

Virtual events dominated in 2021, with 188 of the 194 events managed by the Events and Member Engagement team (not including the Challenges) taking place in a virtual-only format.

However, despite the significant increase in the number of events held during the year (cf. 168 in 2020), total attendance was lower than target. This is due for the most part to a significant drop-off in attendance at webinars compared with the peak during the first lockdown in 2020.

Library downloads decreased slightly by 2% in comparison to last year with a year-end total of 468,536. There was also significant growth in Virtual Archive engagement with 59,604 page views, a 38% increase against last year.



**We saw 147 teams  
in total take part in  
our five Challenges  
last year.**



Our policy report on shipping decarbonisation was covered by the Times and Financial Times as well as widely in the trade press.



## Secure the future of the profession (SFP)

### OBJECTIVE

**SFP 1 Output: Develop a long-term strategy for the future of the Institution, including input from Project Relevance and from market analysis.**

### WHAT WE SAID WE'D DO

**KPI: Strategy Committee to own the 2022 planning cycle to engage member views and then communicate the output to all.**

The Strategy Committee undertook a wide range of consultation with Board and Committee stakeholders during 2021 and a draft high level strategy was presented to the Trustee Board in September 2021. This process will continue into 2022 as further consultation and more detailed strategy development continues.

### OBJECTIVE

**SFP 2 Output: Deliver a high-profile policy and public relations programme in collaboration with key stakeholders where appropriate.**

### WHAT WE SAID WE'D DO

**KPI: Ensure that the communication channels to members are proven to be making them aware of our public relations programme in education and engineering.**

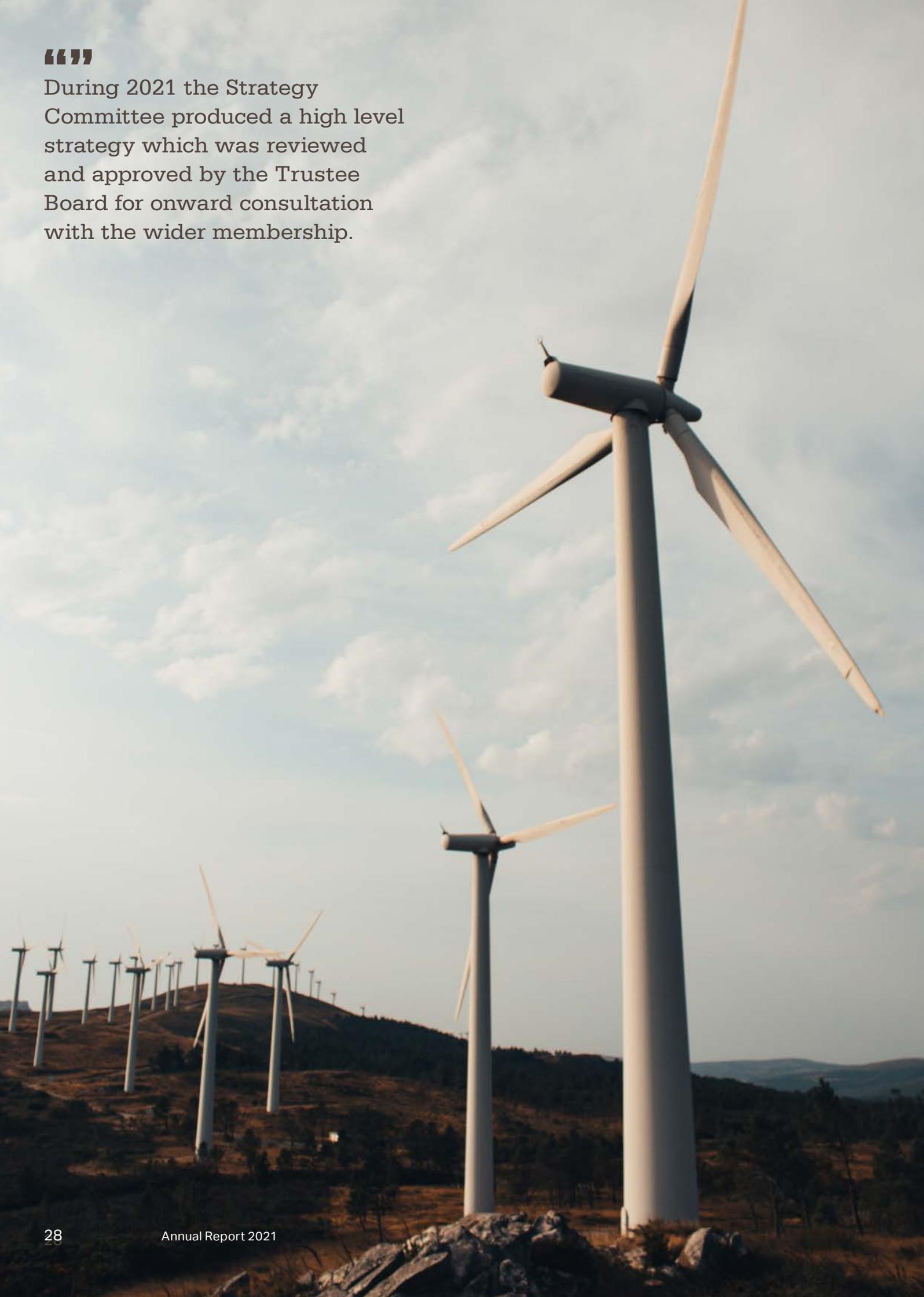
A successful programme of policy reports was developed and delivered plus high profile government support at a range of events, including Sir Patrick Vallance at the 175 anniversary launch.



**Our policy report on shipping decarbonisation was covered by the Times and Financial Times as well as widely in the trade press.**

“”

During 2021 the Strategy Committee produced a high level strategy which was reviewed and approved by the Trustee Board for onward consultation with the wider membership.

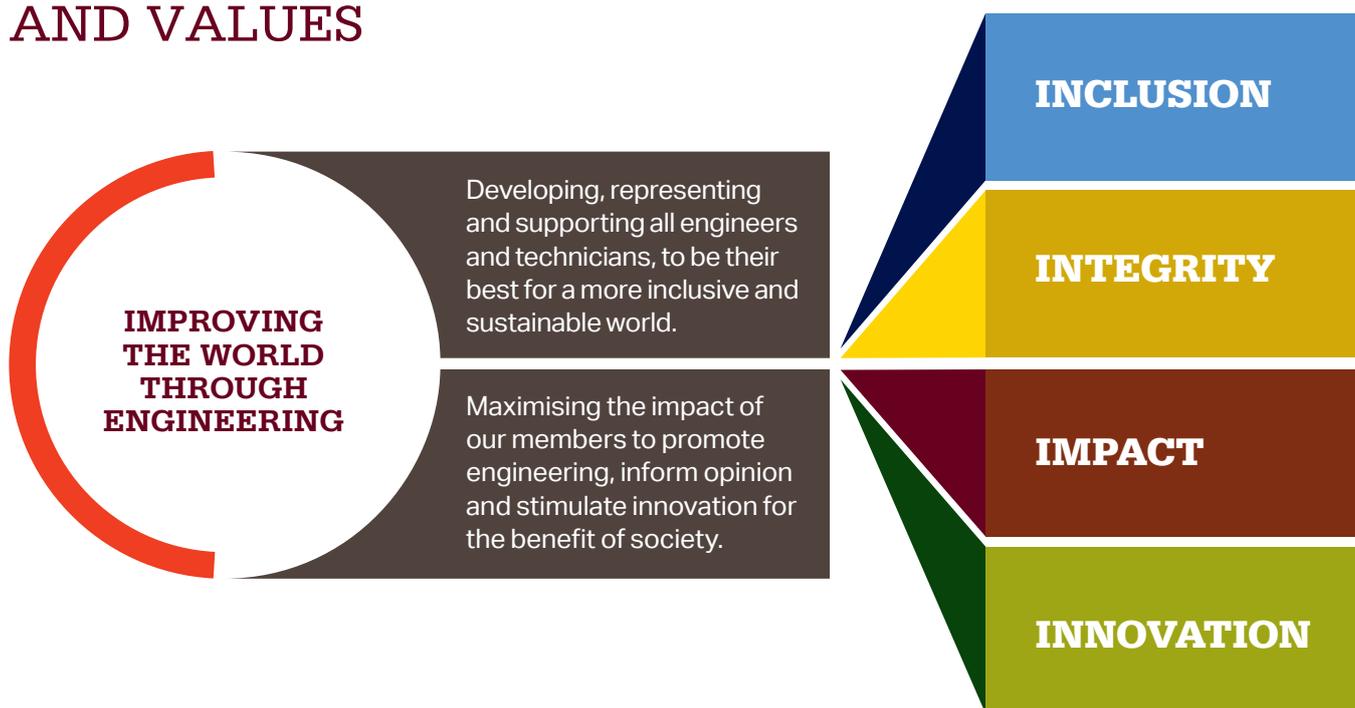


# FUTURE PLANS

## Strategy

During 2021 the Strategy Committee produced a high level strategy which was reviewed and approved by the Trustee Board for onward consultation with the wider membership. Work continues in 2022 both to consult on, and confirm, the high level strategy, and to develop a more detailed implementation plan to deliver the strategy.

## MISSION, STRATEGIC GOALS AND VALUES



## STRATEGIC GOALS

### Membership

We will develop, represent and support all engineers and technicians, to be at their best for a more inclusive and sustainable world.

Our work will:

1. Be the global engineering standard for accreditation and qualifications
2. Build a thriving international community of engineers and technicians, engaging through a network of physical and online events
3. Deliver more relevant services, including personalised digital services to all members

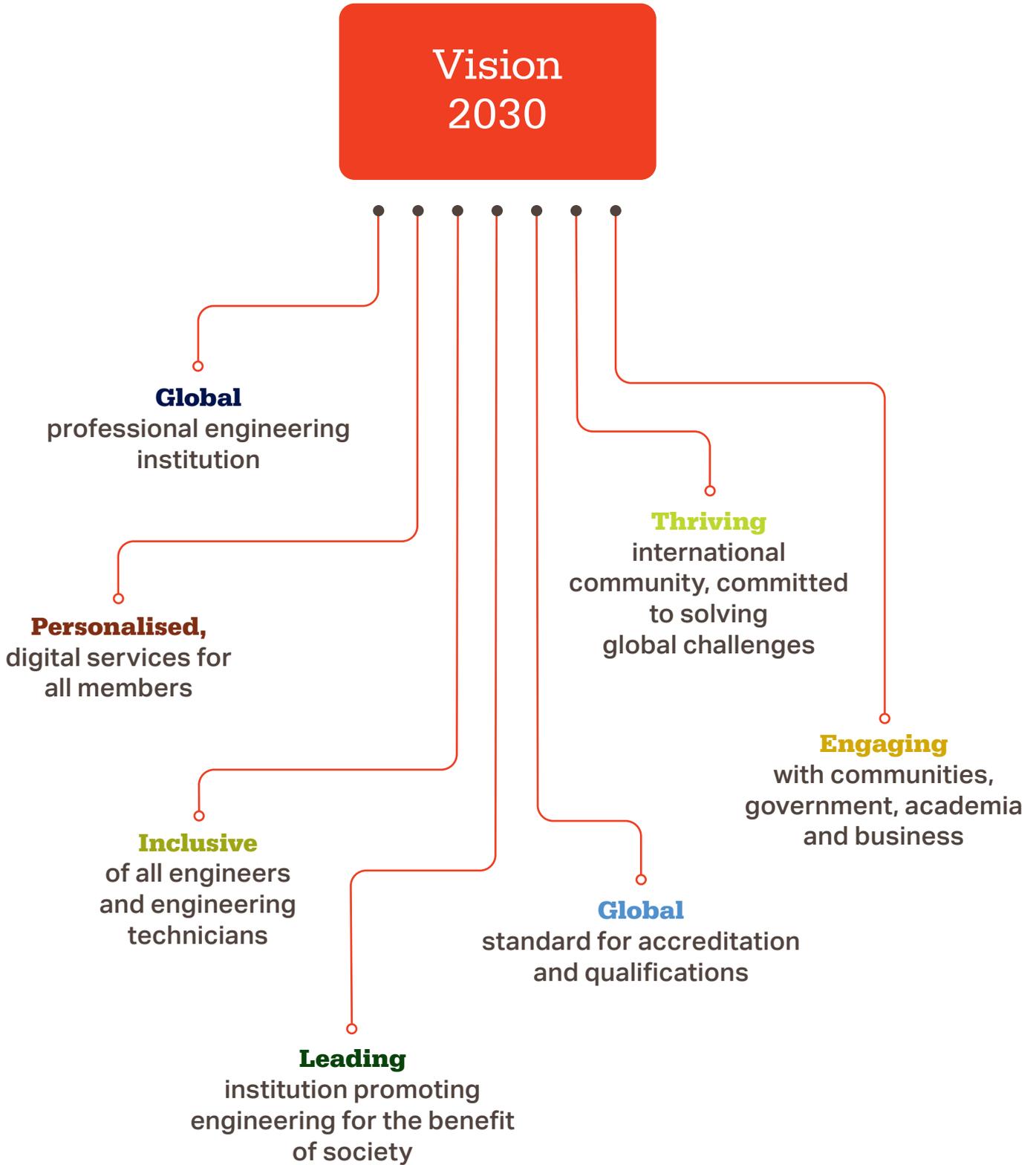
### Impact

We will maximise the impact of our members in promoting engineering, informing opinion and stimulating innovation for the benefit of society.

Our work will:

1. Build a network of international partnerships to promote engineering as a career
2. Shape the public and engineering debate on:
  - a. Climate and Sustainability
  - b. Future Transport
  - c. Infectious Disease Control
  - d. Education
3. Celebrate and encourage innovation and the role of engineering across academia, industry, business and communities

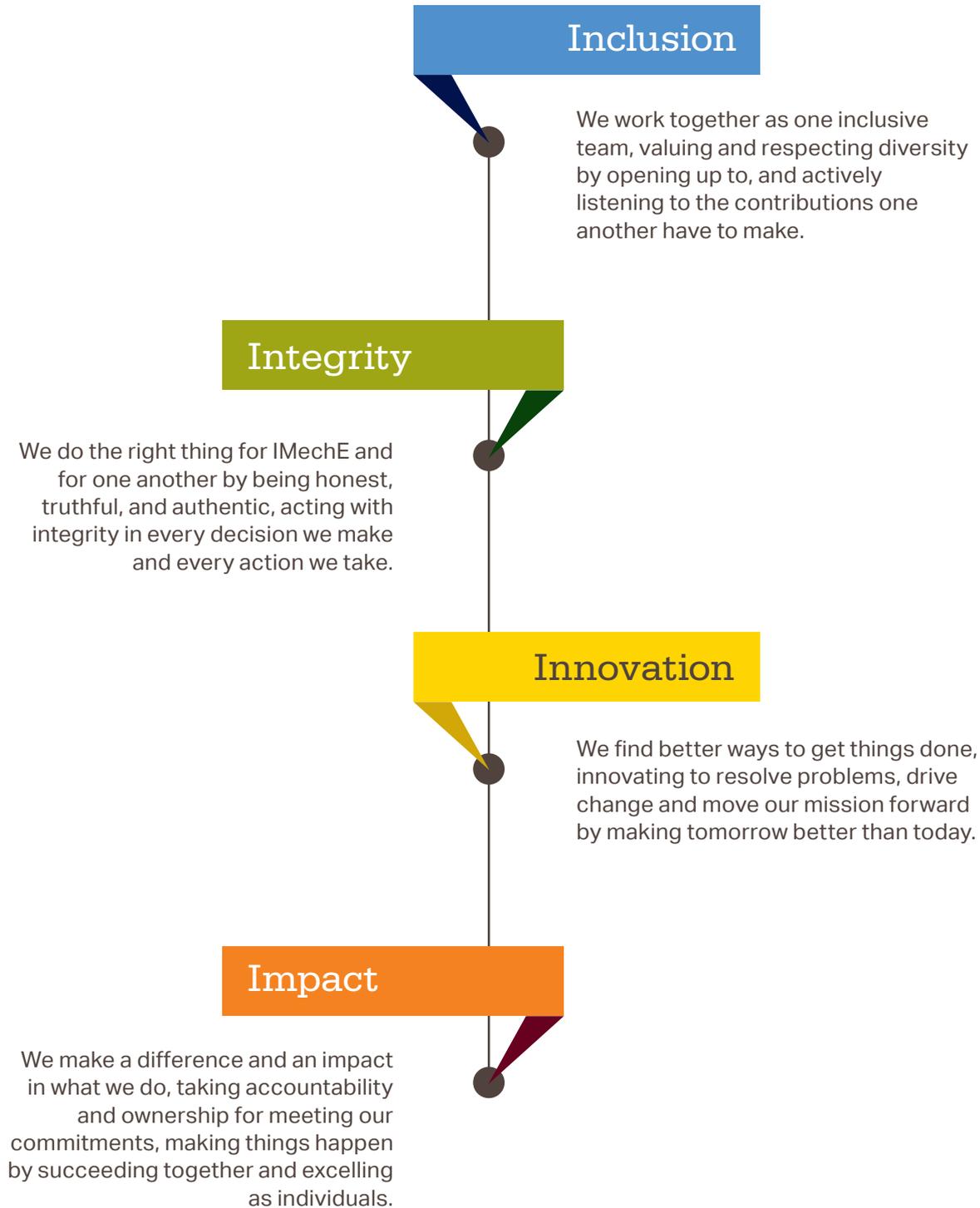
# VISION 2030: TO BE A WORLD-LEADING, GLOBAL AND INCLUSIVE ENGINEERING MEMBERSHIP ORGANISATION



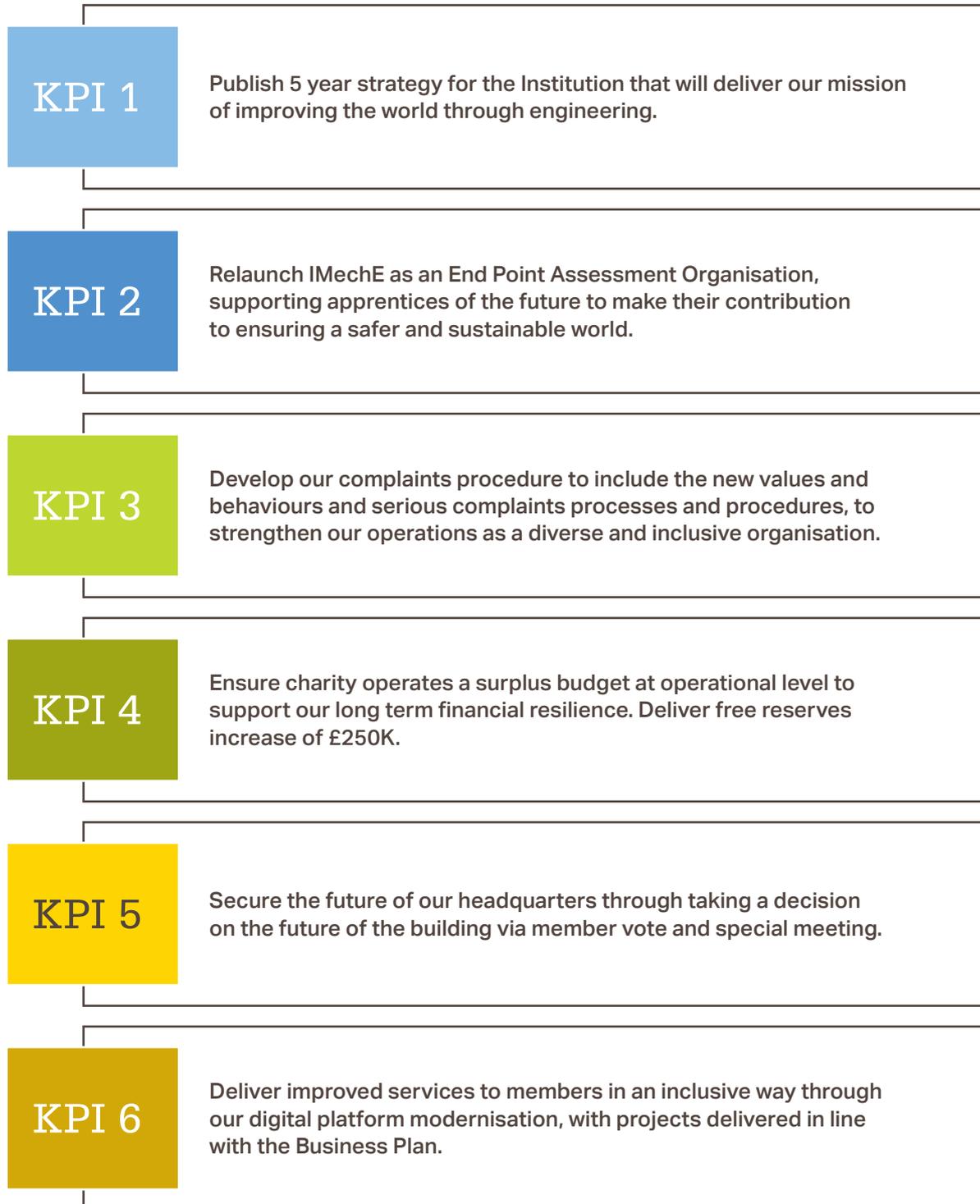
## STRATEGIC ENABLERS



# OUR VALUES



## 2022 GOALS





In 2021, there were 468,536 online library downloads alongside 7 webinars with 1,495 registrations.



# GENDER PAY GAP REPORTING

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

In 2021, male employees were paid on average 15.9% more than female employees.

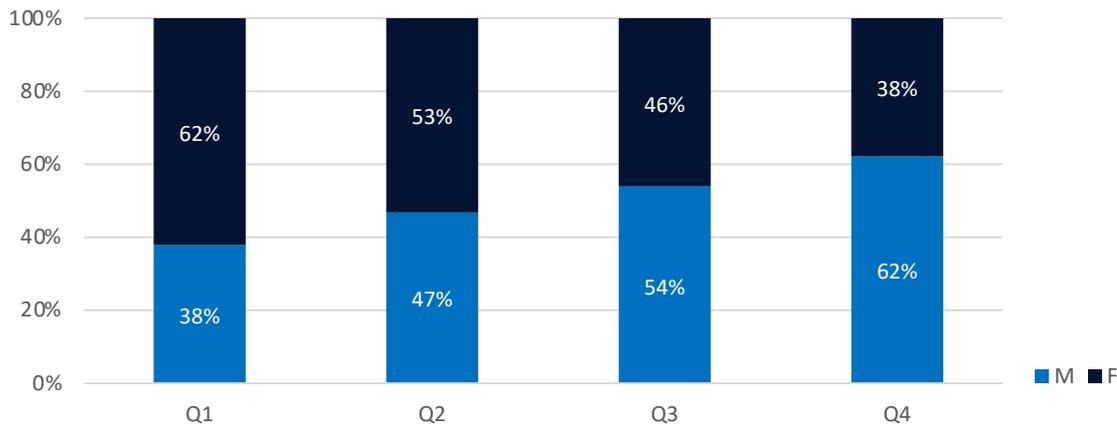
This is due to the proportion of men increasing in each pay quartile, from 38% of the lowest pay quartile to 62% of the highest pay quartile.

Within the individual quartiles pay is much closer with female pay ranging from 98% to 102% of the mean for the quartile and being higher in two of the four quartiles.

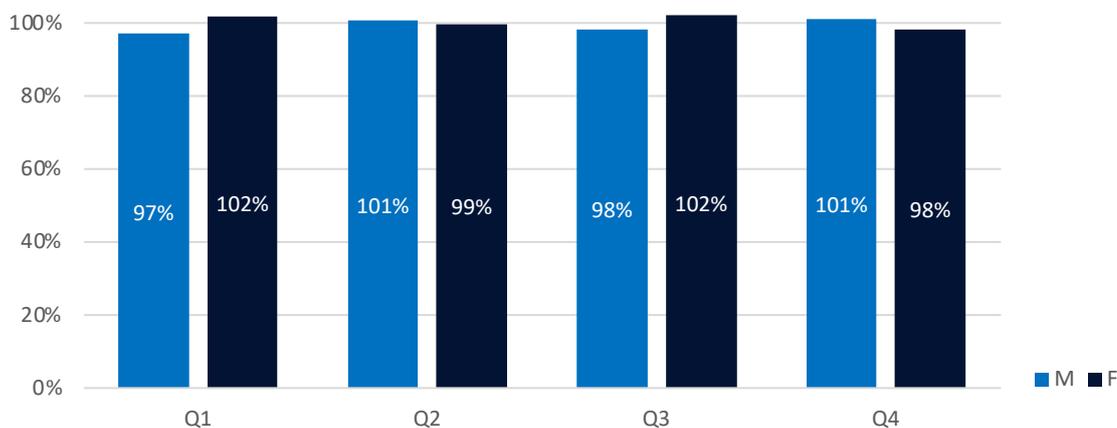
Because of changes in the way the report has been created no comparisons against 2020 are available.

In order to address the gap the focus will be on achieving greater female representation within the higher paid roles.

**Figure 1:** Gender split by pay quartile



**Figure 2:** Mean gender pay by quartile



# STRUCTURE, GOVERNANCE AND MANAGEMENT OF THE CHARITY

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

## TRUSTEE BOARD

<b>President</b>	Peter Flinn
<b>President Elect</b>	Phil Peel
<b>Vice Presidents</b>	Heather Clarke Matt Garside Giles Hartill Richard Judge
<b>International Vice President</b>	Raymond Hodgkinson
<b>Ordinary Members</b>	Bridget Eickhoff Professor David Nowell Helena Rivers
<b>Member ordinarily resident overseas</b>	Vijay Raman
<b>Member under 30</b>	Ross O'Brien
<b>Trustees Retired or Resigned in year</b>	
<b>Past President</b>	Terry Spall
<b>Ordinary Member</b>	Richard East

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

## SENIOR MANAGEMENT TEAM

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

<b>Chief Executive</b>	Dr Alice Bunn
<b>Finance &amp; Commercial Director</b>	Sean Fox
<b>Human Resources Director</b>	Bims Alalade
<b>Member Operations Director</b>	Joanna Horton

## BOARDS AND COMMITTEES

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

### Governance sub-committees

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

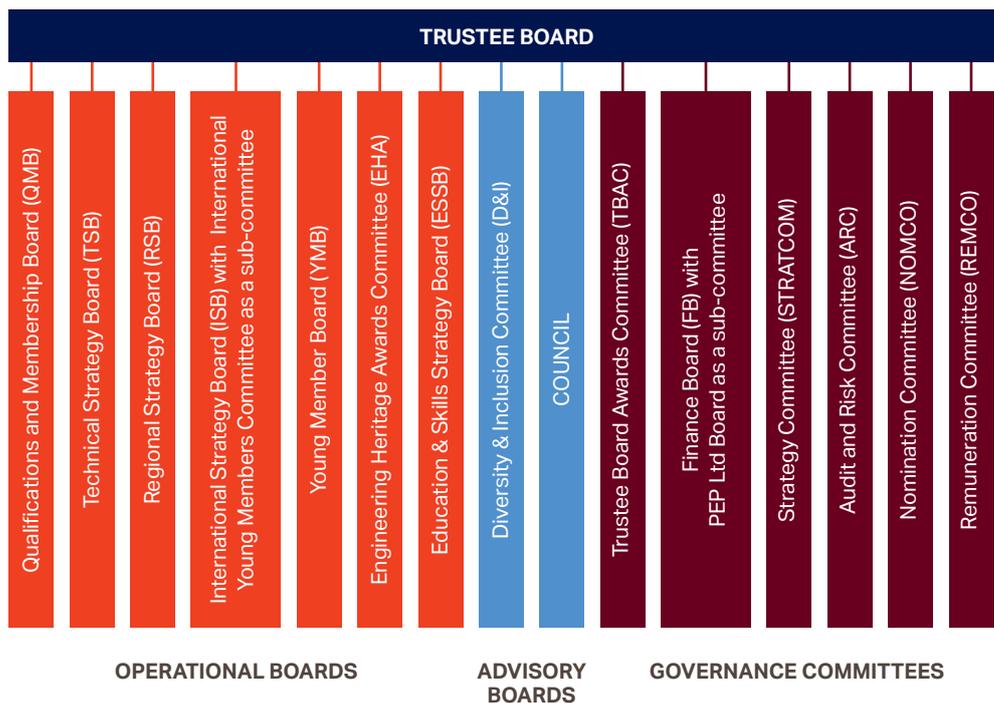
### Advisory bodies

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

### Operational boards and committees

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

**Figure 3:** IMechE governance – organisational structure (April 2021)



### STRUCTURE OF LOCAL OPERATIONS

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

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

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

Details of activities delivered in 2021 by the regional networks and the operating boards are reported elsewhere in this report.

### MEMBERSHIP VOLUNTEERING

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

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

## Structure, Governance and Management of the Charity (continued)

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

### PROVISION OF FREE FACILITIES

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

## CHARITY COMMISSION OF ENGLAND & WALES AND OFFICE OF THE SCOTTISH CHARITY REGULATOR

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

In 2021 the Institution became a registered charity with the Office of the Scottish Charity Regulator (number SCO51227) to comply with the requirements associated with the opening of a training school in Dunfermline by our trading subsidiary, IMechE Fife NDT. This is in addition to the Institution's longstanding registration with the Charity Commission of England & Wales (number 206882).

In 2021 Corporate and Associate members voted for changes to the Royal Charter and By-laws, which were subsequently approved by the Privy Council.

Three key changes to the Institution's corporate governance were:

- For general meetings of the Institution to be virtual as well as physical, and for members to have the opportunity to attend and vote remotely. This promotes greater inclusion for members in the Institution's corporate life and decision-making by removing barriers to participation by members wherever they are located around the world.
- The removal of four by-laws related to the Trustee Board sub-structure to make way for the introduction of Trustee Board Regulations under the direct control of Corporate and Associate members. A ballot to approve these new Regulations was held in February 2022 and the regulations were approved.
- The introduction of a by-law to permit co-option to the Trustee Board where a defined knowledge or skills gap exists within the cohort of elected Trustees. This change enables the Institution to comply with the Charity Governance Code's requirements for board effectiveness.

As reported in previous Annual Reports the outcomes of the three corporate reviews (finance; governance; code of conduct/disciplinary) resulted in 96 recommendations for improvements. This work was then picked up by the Implementation Group comprising Trustees, Past Presidents, and current or former members of Council.

In 2018–2019, three corporate reviews – finance, governance, and code of conduct/disciplinary regulations – were completed and a group comprising Trustees, Past Presidents and current or former members of Council was established with the task of implementing the reviews' recommendations.

“““

For Pride Month, we interviewed Peter Gracey, who founded InterEngineering, a cross-industry LGBT network, to talk about diversity and inclusion and why it's so important.



## Structure, Governance and Management of the Charity (continued)

When the Group completed its work in June 2021 it had implemented 80 of the 96 recommendations. A copy of its close out report can be requested from the Corporate Governance team via [governance@imeche.org](mailto:governance@imeche.org).

The remaining 16 recommendations were allocated to the senior management team for completion and their full implementation will be reported in due course to members.

There are two key themes associated with this work:

- Evolving the Institution's culture to embody its values. Ongoing work is centred on volunteer members and employees, including a programme of diversity and inclusion training, and the introduction of transparent procedures and processes to address incidents of poor values and behaviours, and for members to raise in confidence concerns about the Institution's management and operations.
- Improving the quality and frequency of communications between members and the Institution to achieve an efficient and effective two-way channel. The Strategy Committee, supported by the CEO and Council's strategy sub-group, is developing a communications strategy to act as a roadmap for longer-term improvements.

## INTERNAL CONTROL

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

### IN 2021:

- The Institution appointed a new Head of Programme Office and established the Programme Office. The Programme Office's role is to support the Executive in creating the business strategy, review and reporting of KPIs as well as leading the programme of management across all entities and departments across the Institution.
- The Programme Office developed an internal audit programme that aims to complete a review of the Institution's internal process within the next three years. The new internal audit programme includes drafting guidelines for conducting audits (best practice using an internationally recognised standard). The internal audit programme commenced in Q4 of 2021 and was conducted by an ISO 9001 lead auditor.
- We started a complete review of the Institution's risk strategy, i.e. a review of all documented policies associated with risk, including the risk register (corporate and department-based), risk matrix, risk descriptions and risk approach. The Programme Office will report the results to the Executive and Audit and Risk Committee implementing any actions in 2022.
- The Real Estate Strategy Group management was moved to the Programme Office. Its current role is to assist the Institution in planning for the future of One Birdcage Walk. The RESG maintains a detailed risk register for this project.

### AUDITORS

The newly appointed Auditors, BDO completed their first annual audit on behalf of the Institution in March 2021.

## EMPLOYEE ENGAGEMENT

The commitment to the improvement of culture and engagement at the Institution has continued with positive experiences of culture transformation taking place across the Institution. The achievement of Investors in People Gold was testament to the embedding of our values amongst our staff and the great work and support our leadership teams have provided since the last assessment in 2018.

With Inclusion being our first core value, the launch of the diversity and inclusion (D&I) training programme has proved to be integral to creating a productive inclusive environment. Trustees, committee leaders, D&I early adopters and senior managers have attended a suite of workshops and accessed additional learning materials. The mixed workshops, comprising employees and members has been highly successful with higher degrees of engagement and implementation within roles.

Employee engagement has also been reviewed resulting in the dissolution of the Employee Engagement Forum which reformed as the Employee Engagement Group with engagement champions heading up key work and engagement streams. Each stream will now have a dedicated champion and invite other employees to support their work as the work with different business heads to ensure that they have greater influence and impact.

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

Wellbeing continues to be a focal point for the Institution with all employees offered the opportunity to attend a mental health awareness course and we trained more staff to become Mental Health First Aiders. More training was given to support managers with managing remote teams. It is expected that the wellbeing workstream will have greater influence over training, support in respect of hybrid working which the Institution will formally adopt along with increased flexible work patterns.

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

## ARRANGEMENTS FOR SETTING THE PAY AND REMUNERATION OF KEY PERSONNEL

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

## PUBLIC BENEFIT STATEMENT

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

## Structure, Governance and Management of the Charity (continued)

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

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

The Institution actively pursues the development of debate and action on topics for the betterment of society that relate to mechanical engineering. The Institution provides free literature, free lectures and free access to the library to encourage members of the public to engage in the improvement of the world through engineering. Many of these have been delivered online since last year due to COVID-19 restrictions.

## RISK MANAGEMENT

The Programme Office maintains the corporate risk register. The Executive regularly update the record with oversight from the Audit and Risk Committee.

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

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

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

## MODERN SLAVERY: COMMITMENT STATEMENT

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

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

In considering whether to implement the above, we consider:

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

# RISK APPETITE STATEMENT 2021

## INTRODUCTION

Risk can be described as an 'acceptable level of threat that an organisation or function is willing to tolerate while pursuing and delivering its financial and operational priorities'.

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

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

## OUR APPROACH

The Institution's approach to risk is to identify issues that could impact its business objectives. Where issues or potential issues are identified, they are evaluated and recorded as risks. Evaluating risks allows the Institution to assess whether they are acceptable in their current state or whether additional measures need to be implemented to reduce the probability or impact of them occurring.

This approach provides the Institution with an opportunity to make improvements to the business and charity.

The Institution will only accept a risk where the potential benefit or detriment to the business is understood and where sensible measures are in place to control or mitigate the risk.

As risks bear a cost, they are also expressed in financial terms, thus allowing the Institution to evaluate their financial impact.

The Institution's risk appetite is linked inextricably to our ability to measure and manage risks. We use several methods to achieve this by implementing policies, procedures, conducting regular reviews and updates, and assurance processes (internal audits).

The Institution's approach to risk is proactive and in line with its business strategy.

## FURTHER WORK

We will look to continue to develop statements on the following for the next annual report: Charities Governance Code.

## OPERATIONS AND CHANGE MANAGEMENT

### IT infrastructure and systems

We have completed our programme to migrate from an on-premises infrastructure to Microsoft Azure cloud platform. By the end of 2020 all key systems were cloud-based.

All digital projects are managed in-house and in 2021 the Strategy Committee will oversee a Digital sub-committee on behalf of Trustee Board.

## Structure, Governance and Management of the Charity (continued)

### MAJOR ORGANISATIONAL RISKS

Risk	Description	Mitigation
The cost of maintaining Property Assets - One Birdcage Walk	<p>The cost of running and maintaining property assets is very high. One Birdcage Walk requires major structural works due to its age &amp; condition. The cost of those works will exceed £8 million. Revenue produced from venue hire, tenants &amp; other initiatives does not cover running costs, and the COVID-19 pandemic also resulted in the underutilisation of our property assets.</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 consultation, and seek member approval by achieving a 2/3 vote.
Governance challenges	Corporate Governance risks associated with leadership and accountability continue to be an area of risk for the Institution and have resulted in several measures, i.e., amendment of the By-Laws, values and behaviours framework together with reviews of Finance, Governance, and the Codes of Conduct by the Implementation Group.	Privy Council approval of the By-Laws, the roll-out of the Values & Behaviours framework for all major Boards & Committees, Codes of conduct for the Implementation Group and completion of engagement for RESG project.
Professional Engineering Projects Ltd does not deliver budgeted profits	Professional Engineering Projects Ltd (PEP) has four trading entities: Venue Hire, Learning & Development, Argyll Ruane, and Sonaspection. Although income exceeded budgets in 2019, the four entities were negatively impacted by the COVID-19 pandemic. The pandemic will continue to expose PEP Ltd to a risk of further loss in 2022/3.	The IMechE will complete the PEP Strategic review and make recommendations to the Finance Board on the future strategy for PEP. Further, we are in the process of rolling out the values and behaviours workshops to embed new culture and aid staff retention.
Membership and Accreditations	Compared to other Professional Engineering Institutions (PEI), the IMechE has limited resources to devote to member recruitment. Current data suggest that PEIs only capture 10% of the total engineering audience; however, the estimated size of potential registrants is 30%. Of this 10%, statistics suggest that the age profile of the registrant is skewed to older members so there is a risk that membership numbers will decline if not replenished. Factors such as PEI registration becoming less relevant to employers and the divergence of modern engineering careers that no longer fit neatly into a single PEI exacerbate the decline. Another factor affecting member registration is increasing international protectionism along with changes at the IEA level.	Mitigations include the support and value that we can add to regional areas to make IMechE membership attractive. For example, regular member surveys, implementation of effective business development function and proposition based around registration, use of Falzani model to predict retirement, regular reviews of performance at Senior Leadership team and Trustee Board, setting objectives conducive to being amongst the top UK PEI, launching of the new diversity and inclusion strategy plan, improvement of payment options for Armed Forces' employers' and the digitalisation of membership subscription package. This list is not exhaustive.
IT Infrastructure – Maintaining information integrity and security	IT infrastructure and operations continue to pose a significant risk to the Institution, mainly where IT systems and processes are no longer fit for purpose. Cyber security remains a continuing risk, as it does to all organisations.	Mitigation includes the appointment of a new Chief Technology Officer and other IT professionals and projects centred around servers (cloud migration, development and maintenance), documented information, and the improvement of our security and disaster recovery procedures.
Compliance with Regulatory requirements	These are risks associated with regulatory requirements such as GDPR and Health & Safety.	<p>Implementation of appropriate policies and procedures to maintain the confidentiality, integrity and security of our data (UK GDPR). Project planning to improve our software and hardware integrity will help achieve this.</p> <p>For Health &amp; Safety, we will continue to use the committee and employ professionally qualified facilities management staff to ensure Health &amp; Safety conformity at all sites. We have regular site inspections and reviews by senior management and a Health &amp; Safety report is reviewed by the Trustee Board.</p>

“““

Achieving self-funding for the charitable business and increasing the level of free reserves have become key priorities.



# FINANCIAL REVIEW

## FINANCIAL RESULTS

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

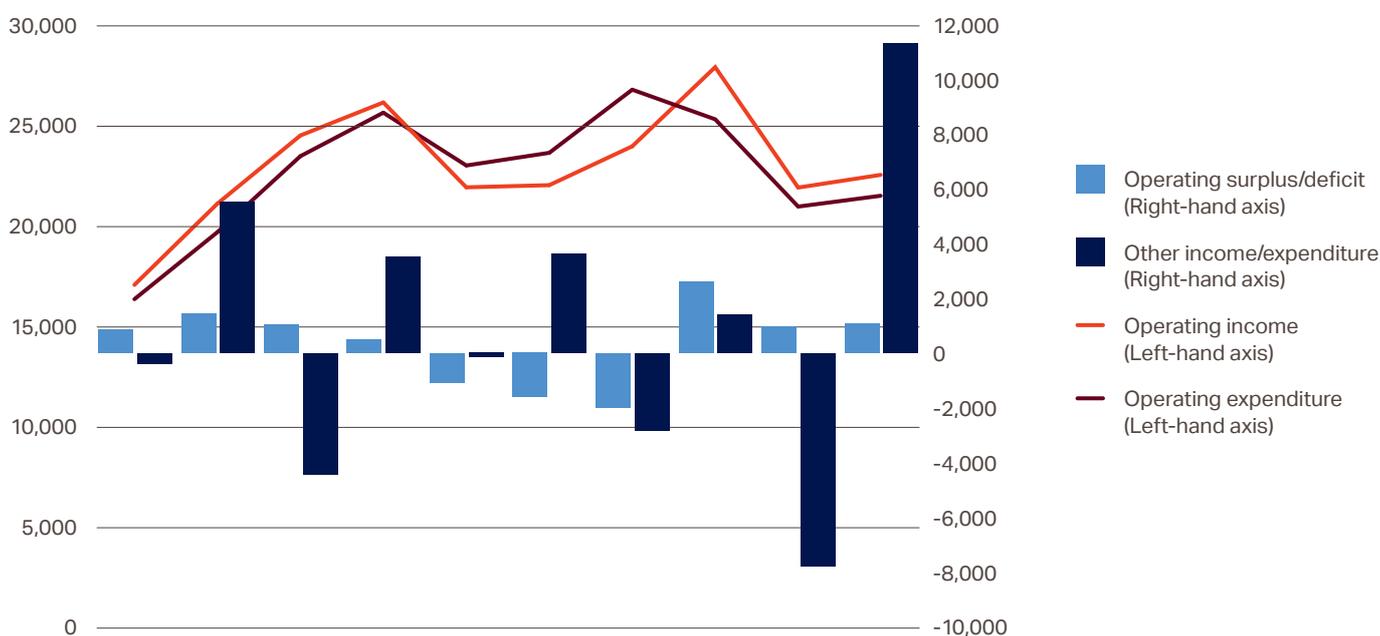
In 2021, overall income rose 3% to £22.6M (2020 – £21.9M).

£0.1M of other income (2020: £0.4M) relates to furlough income receivable under government COVID-19 support schemes.

Operating expenditure rose 4% to £21.9M (2020 – £21.0M) resulting in an operating surplus of £0.7M (2020 – £0.9M).

Non-operating costs included a £1.8M gain on investments (2020– £0.7M loss), and a £9.4M actuarial gain (2020 – £7.1M loss) on the pension fund scheme (see note 10 for full details), resulting in a net movement of funds (operating and non-operating) of £11.9M surplus (2020 – £6.9M deficit) for the year.

**Figure 4:** Income and expenditure trends 2012–2021 (£'000s)



## CHARITY RESERVES

On 17th March 2022, the Trustee Board changed its policy on reserves, in order to align more completely with the requirements of Charity Commission document CC19, from requiring a certain number of months of charitable expenditure to having a target of specific reserves to cover:

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

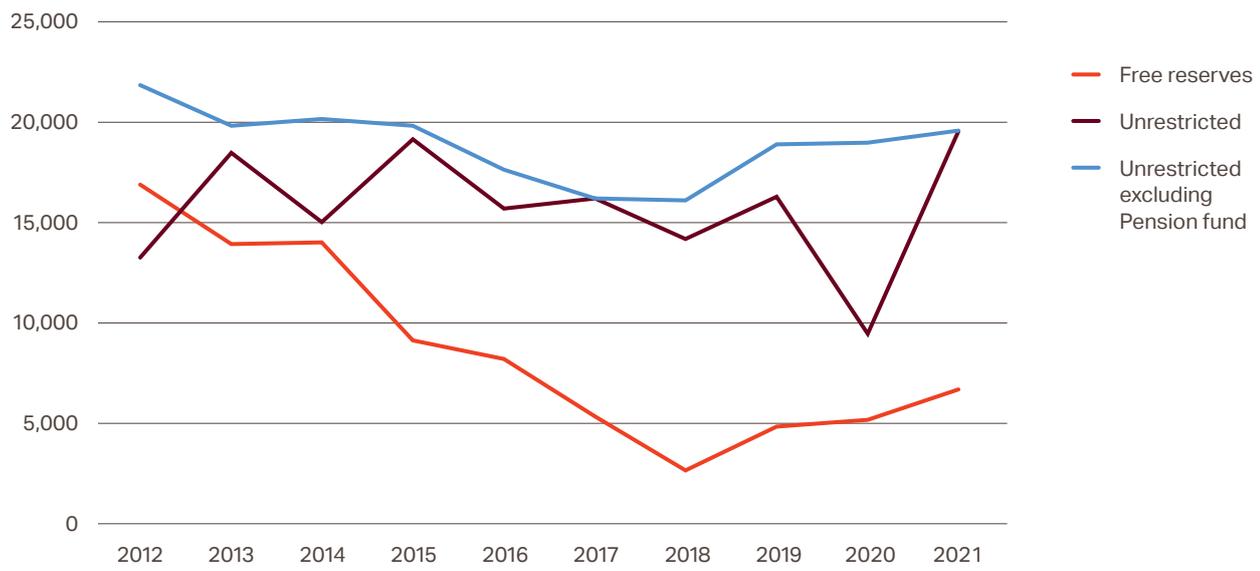
The new reserves target is £11.6M. Of this, £7m is required to cover known major repairs to the HQ building. Once any building upgrade goes ahead, these repairs will be included and subsequently this component of the free reserves target could be substantially reduced

As of 31st December 2021, this calculation of free reserves was as shown:

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Total Charity funds excluding pension liability	35,150	32,900
Less: Endowment funds	(11,842)	(10,717)
Less: Restricted income funds	(3,592)	(3,647)
Unrestricted funds	19,716	18,536
Less: mixed-motive investments	(2,908)	(2,679)
Less: intangible assets	(3,530)	(3,610)
Less: tangible assets	(6,298)	(6,697)
Less: current year pension deficit payments	(500)	(410)
Free reserves	6,480	5,140

The main action to bring the free reserves back to target is the current project to refurbish the current HQ building at Birdcage Walk. An indicative poll was held in early 2022 and a special meeting will be held at a future date to ask member approval for the Trustee Board proposal. If this is approved the project will progress to the next stage but full completion of the project is not likely until the end of 2024.

**Figure 5:** Trends in unrestricted and free reserves 2012–2021 (£'000s)



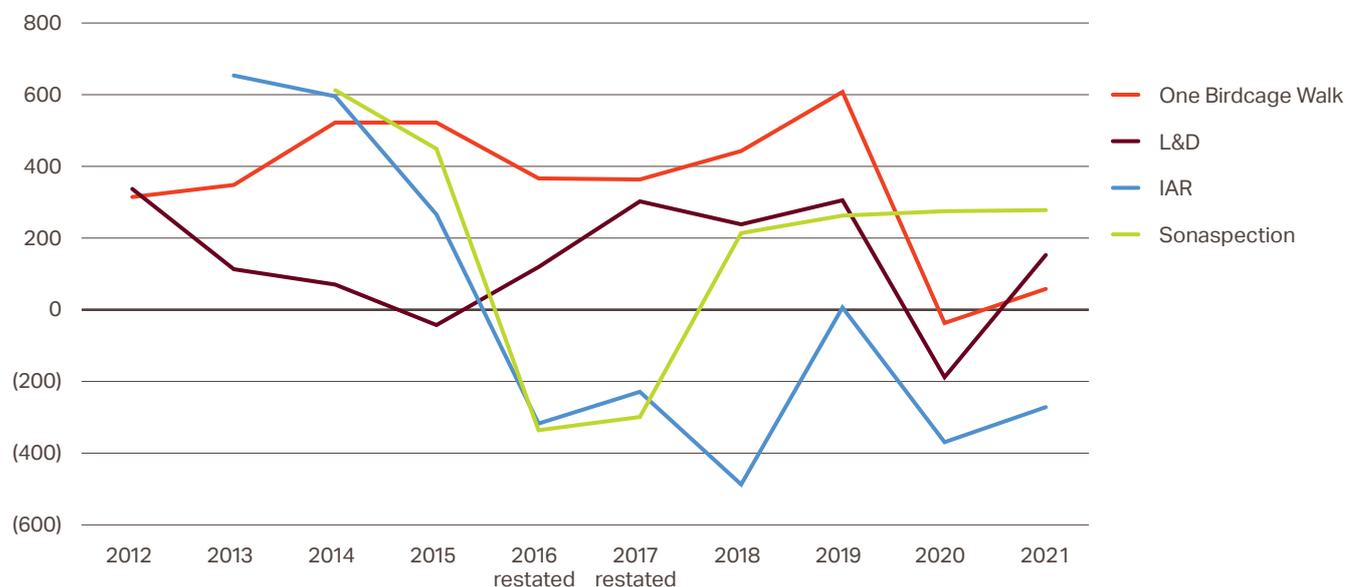
## TRADING ENTITIES

The governance of the trading companies is the responsibility of the Finance Board, chaired by the Honorary Treasurer, reporting to the Trustee Board. The Board of Professional Engineering Projects Ltd (PEP) directly manages the activities of the trading entities and is chaired by a Trustee, who is also the Deputy Chair of the Finance Board. Both boards have external members who are senior members of the Institution or appropriately qualified independent members, supported by external professional advice. The PEP Ltd Board approves both the annual operation plan and three-year strategic plan for each operating business which is then submitted to the Finance Board for approval as part of the overall Institution's financial processes.

The Institution operates four main trading activities through its subsidiary Professional Engineering Projects Ltd and its sub-subsidiaries. The shared costs (finance, HR, IT and legal & professional) and other minor commercial activities were a net cost of £0.39M in 2021, (2020: £0.40M). Partially offsetting this were £0.11M of R&D tax credit claims received in cash during the year (2020: £0.03M).

During 2021 there was a significant recovery from the impact of the COVID-19 pandemic and the associated lockdowns and travel restrictions, but still material impact on some businesses. More details of the impact on each business are in the table following. Overall trading income fell by 2% in 2021 to £6.6M (2020: £6.7M) but the operating result improved to a loss of £0.1M (2020: £0.7M loss) at budgeted exchange rates, after direct costs of £6.7M.

**Figure 6:** Commercial trading entities profit and loss trends 2012–2021 (£000s)





## One Birdcage Walk

Our Venue Hire business, trading under the 'One Birdcage Walk' brand at our head office was severely impacted by the COVID-19 epidemic during 2020 and continued to be impacted well into 2021 with almost no trading in the first eight months of 2021. However, there was a strong recovery from September onwards with 63% of the full year budgeted turnover achieved, and a return to operating profit.

Income rose 24% compared to 2020 to £0.36M (2020: £0.29M) although this is still far behind the 2019 turnover of £1.35M pre-Covid. Operating profit of £0.06M was achieved (2020: £0.04M loss). Excluding the impact of furlough income (which has to be treated as turnover under accounting rules), underlying turnover is up 35% compared to 2020.

The 2022 budget assumes no significant Covid restrictions during 2022, leading to a 100% increase in turnover to £0.71M and a proportional increase in profit. Early trading in 2022 prior to signing of these accounts is slightly ahead of our budgeted turnover.



## Learning and Development

Our London-based training business was also severely impacted by the COVID-19 epidemic during 2020 but saw a steady return towards normal levels of activity during 2021, aided by our increased on-line training capability.

Income increased by 42% to £1.60M (2020: £1.13M) and the business delivered an operating profit of £0.14M (2020: £0.17M loss). Excluding the impact of furlough income underlying turnover is up 53% compared to 2020.

The business continued to make use of the government furlough scheme although at a significantly lower level than 2020 .

The business is currently still operating at below pre COVID-19 levels of activity with a 10% increase in turnover expected in 2022. Because of the increased costs following the loss of furlough, a return to physical activity, and further investment in marketing to support longer term growth, a small reduction in operating profit is expected.

Early levels of orders and activity in 2022 are strong and we are trading a little ahead of budgeted turnover.



## IMechE Argyll Ruane (IAR)

2021 continued to be significantly impacted by COVID-particularly our overseas exam service where many of our affiliated overseas exam centre customers remained closed for large parts of the year. This was exacerbated by one of our largest UK affiliated exam centres ceasing trading early in 2021, due to COVID.

This left a significant geographical gap in the UK training market and we were able to acquire the equipment and samples of this business, and take on some of their staff, to launch a new training centre in Dunfermline, Scotland under the IMechE Fife NDT name, but managed together with the existing Sheffield based business. The new business opened for trading in July 2021.

Overall turnover increased 10% to £2.00M (2020: £1.81M) with underlying trading (excluding both furlough income and IMechE Fife NDT also increasing 10% to £1.87 (2020: £1.71M)). The operating loss reduced by 26% to £0.27M loss (2020: £0.37M loss) although £0.14M of this was start up losses for the new site with operating profit of the Sheffield business reducing by 64% to £0.13M.

A significant improvement is expected in 2022, including a full year contribution from IMechE Fife NDT, a 50% budgeted increase in turnover to around £3M and a return to a small level of profit. Early trading is mixed but running a little behind budget so far with action underway to address this.



## Sonaspection

Due to operating in essential industries such as energy infrastructure, Sonaspection has not been affected by Covid during 2021, other than the occasional staff absence, and there has been no impact on results from COVID.

Turnover fell 24% in 2021 to £2.66M (2020: £3.50M) reflecting the winding down of sales to the Hinkley Point C nuclear new build but higher margins and reduced overheads resulted in a 7% increase in operating profits to £0.29M (2020: £0.27M profit), assisted by the US operations becoming profitable in 2021 after a loss in 2020.

Orders were very strong in the second half of 2021 and turnover is budgeted to increase 13% in 2022 with profits roughly stable as some of the exceptional margins achieved in 2021 are expected to decline closer to historic levels. Trading and orders have been very strong in early 2022 with activity close to capacity and it is expected that both turnover and profit expectations for 2022 will be revised upwards as the year progresses.

## BALANCE SHEET

Through the Stephenson LLP fund, we invested in early stage innovation companies until November 2018, in line with our charitable aim of being an impulse to innovation. At the end of 2021, we had invested £1.8M in 11 companies (2020: also £1.8M in 11). The market value of these investments was £2.9M at the end of 2021 (2020: £2.7M), an increase of £0.2M (2020: £0.7M decrease). Further investment is now on hold, outside of the costs necessary to operate the fund for the remainder of its life.

Our listed investments increased to £19.9M (2020: £18.3M) due to market value movements.

Intangible assets decreased £0.1M to £3.5M (2020: £3.6M). Our continued investment in our digital modernisation programme was offset by further Digital Modernisation developments going live, triggering the start of amortisation, which increased significantly in 2021 as further elements of the programme were implemented. In addition, the balance of work completed before 2019 was impaired at a cost of £0.2M. In future years amortisation and investment are expected to remain broadly in balance.

Tangible fixed assets decreased by £0.4M to £6.3M (2019: £6.7M). Investment in land and property is low while the project to refurbish headquarters is in the planning stages.

Due primarily to increases in interest rates during the year and investment performance in excess of assumptions, the pension fund moved from a deficit of £9.5M in 2020 to a nil deficit at the end of 2021. The sensitivity of this fund is such that a 0.5% reduction in interest rates leads to a £5.5M increase in pension liabilities. The aim of the Trustees of the Pension fund and the Institution is to transfer the total risk to an acceptable financial vehicle, such as an insurance company, in the medium- term.

Due to the £11.9M overall increase in funds, group reserves increased to £35.2M from £23.4M in 2020. Excluding the volatile pension fund deficit, group reserves increased £2.4M to £35.2M. The Institution continues to remain financially sound. The Trustee Board is committed to maintaining financial prudence and, in particular, making an overall surplus and increasing free reserves.

“”

IMechE Archivist Lucy Bonner, and AV Multimedia Designer Syed Ansar, filmed a video to mark the start of our 175th celebrations.



## DEGREE OF FINANCIAL DEPENDENCY

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

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

## GOING CONCERN

The Trustees have considered several factors in concluding that the adoption of a going concern basis in the preparation of these financial statements is appropriate. These factors have included a summary of the key risks and uncertainties in the context of the Institution's operations (including COVID-19) and a review of the budgets and forecasts, including cash flows and sensitivity analysis. The future forecast considers the mitigating actions the Institution has taken and considers both immediate liquidity and longer-term solvency, together with the impact on reserves.

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

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

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

As detailed above, Trustees have reviewed sensitivities and approved a 2022 budget reflecting expected levels of income to target a cash surplus during the year.

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

## SUMMARY OF FUNDS AND INVESTMENTS

### GENERAL

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

### INVESTMENT POLICY AND RETURNS

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

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

### RESERVE FUND, GENERAL TRUST & JAMES CLAYTON TRUST

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

### OTHER TRUSTS

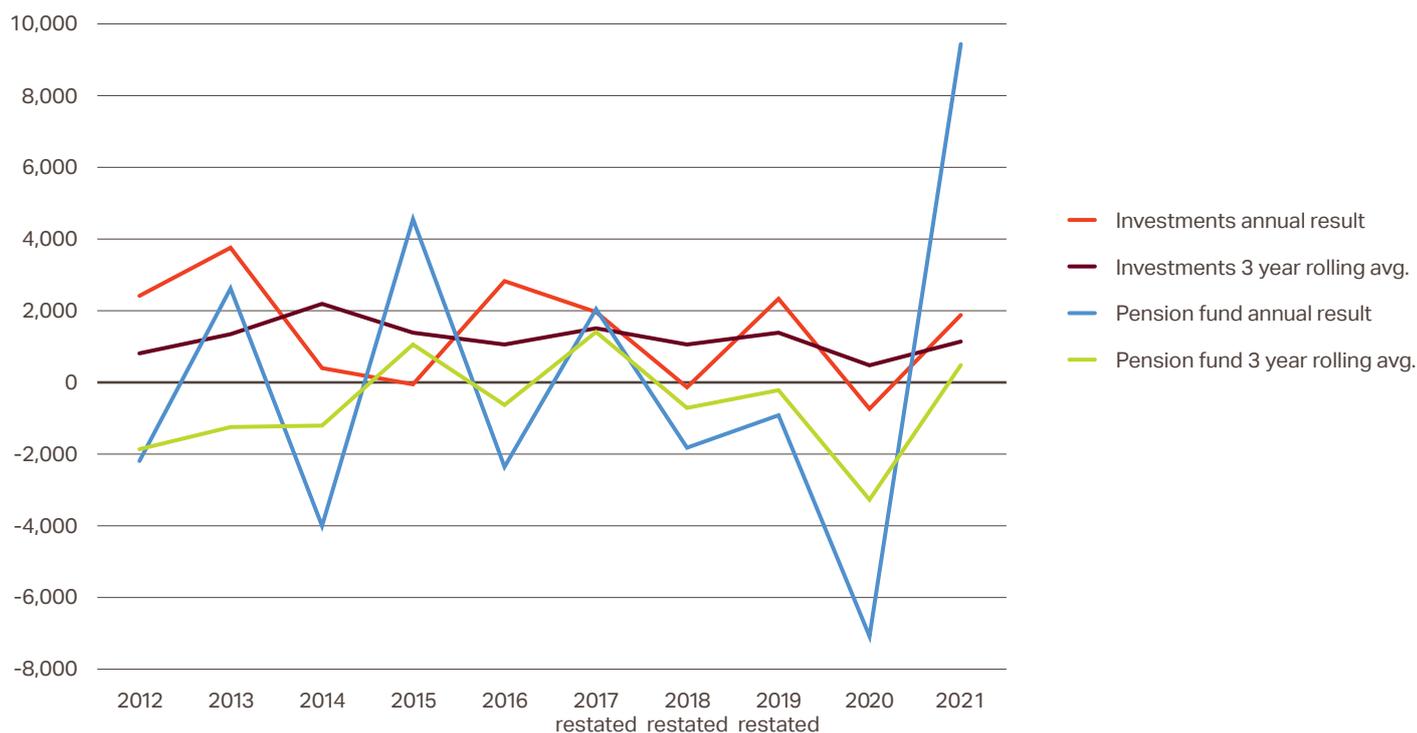
Funds are invested in special pooled funds restricted to charity use. It is not appropriate to set individual objectives for these investments. However, performance is compared against statistics prepared by the Investment Management company.

## Financial Review (continued)

A summary of the total annual rates of return (income and capital) achieved on investments during 2021 and 2020 is as follows:

	Year to 31.12.21	Year to 31.12.20
	%	%
Reserve Fund	10.3	7.0
General Trust	10.5	7.1
James Clayton Trust	10.4	7.1
Charities Official Investment Fund income units	17.4	5.1
Whitworth Scholarships Fund – Charishare	14.9	(4.7)
Whitworth Scholarships Fund – Charinco	(3.7)	6.7

**Figure 7:** Investment and pension fund gains/losses trends 2012–2021 (£'000s)



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

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

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

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

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

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

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

## FUNDRAISING

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

## DISCLOSURE OF INFORMATION TO AUDITOR

The Trustees who held office at the date of approval of this Trustees' Annual Report confirm that, so far as they are each aware, there is no relevant audit information of which the Institution's auditor is unaware; and each Trustee has taken all the steps that he/she ought to have taken as a Trustee to make himself/herself aware of any relevant information and to establish that the Institution's auditor is aware of that information. The financial statements have been prepared in accordance with the accounting policies set out in the notes to the accounts and comply with the charity's governing documents, the Charities Act 2015 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, published on 16 July 2014.

This annual report was approved by the Trustee Board on 4 May 2022 and was signed on its behalf by



**Peter Flinn**  
President



**Phil Peel**  
Chair, Finance Board

“““

Dr Alice Bunn, IMechE CEO and Peter Flinn, IMechE President both attended COP26 in 2021 to raise the voice of engineers. Our profession is the one which will generate many of the solutions to tackle climate change and help society adapt to it.



# INDEPENDENT AUDITOR'S REPORT TO TRUSTEES OF INSTITUTION OF MECHANICAL ENGINEERS

## OPINION ON THE FINANCIAL STATEMENTS

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Charity's affairs as at 31 December 2021 and of the Group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011 and the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006, as amended in 2010..

We have audited the financial statements of Institution of Mechanical Engineers ("the Parent Charity") and its subsidiaries ("the Group") for the year ended 31 December 2021 which comprise the consolidated statement of financial activities, the consolidated balance sheets, the consolidated statement of cash flows and notes to the accounts, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice)*.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

## INDEPENDENCE

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

## CONCLUSIONS RELATED TO GOING CONCERN

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

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

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

## **OTHER INFORMATION**

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

We have nothing to report in this regard.

## **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following matters in relation to which the Charities Act 2011 and the Charities and Trustee Investment (Scotland) Act 2005 require us to report to you if, in our opinion;

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

## **RESPONSIBILITIES OF TRUSTEES**

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

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

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

We have been appointed as auditor under section 144 of the Charities Act 2011 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Act and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable

assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### **EXTENT TO WHICH THE AUDIT WAS CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD**

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

Based on our understanding of the charity and the industry in which it operates, we identified that the principal laws and regulations that directly affect the financial statements to be relevant are the Charities Act in the UK, UK GAAP and tax legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

We considered the Parent Charity's own assessment of the risks that irregularities may occur either as a result of fraud or error. We also considered financial performance and key drivers for any performance targets. We also considered the risks of non-compliance with other requirements imposed by the Charity Commission and we considered the extent to which non-compliance might have a material effect on the financial statements.

In addition the Charity is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We have identified the following areas as those most likely to have such an effect: employment law and data protection. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of Those Charged with Governance and other management as well as inspection of regulatory and legal correspondence if any.

Audit procedures performed by the engagement team included:

- Enquiry with management, staff and advisors in tax and compliance functions and Those Charged with Governance regarding known or suspected instances of non-compliance with laws and regulation and fraud;
- Enquiry of management and Those Charged with Governance around actual and potential litigation and claims;
- Reviewing minutes of meetings of Those Charged with Governance;
- Assessing the design and operating effectiveness of controls and procedures relevant to the preparation of the financial statements and the detection and prevention of irregularities and fraud;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Testing the transfer of data from the old finance system to the new finance system to verify the completeness and integrity of financial data;
- Identifying and testing the appropriateness of journal entries and other adjustments, with particular focus on unusual account combinations and postings by unexpected users or senior management;
- Challenging the assumptions and judgements made by management for key estimates, in particular the valuation of investments and assumptions used to value the defined benefit pension scheme;

- Reviewing performance related payments made to staff, with particular challenge as to whether individuals receiving such payments were able to influence the metrics used to determine amounts to be paid; and
- Incorporating unpredictability into our testing approach through amending the nature and extent of audit procedures.

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

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

## USE OF OUR REPORT

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



BDO LLP, statutory auditor  
London, UK

Date: 04 May 2022

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

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

# FINANCIAL STATEMENTS

Year ended 31 December 2021

## Consolidated Statement of Financial Activities including an income and expenditure account

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2021 Total £'000	2020 Total restated £'000
<b>Income and Endowments from:</b>						
<b>Donations and Legacies</b>		113	–	–	113	72
<b>Charitable Activities</b>						
Membership Subscriptions		12,436	–	–	12,436	12,468
Groups, Divisions and Events		1,117	–	–	1,117	578
Apprentice End Point Assessment		1,172	–	–	1,172	411
Professional Development		174	–	–	174	205
Information and Library Services		3	–	–	3	4
<b>Other trading activities</b>						
Venue Hire, Training, Exam Services, Consultancy, Flawed Samples		6,353	–	–	6,353	6,461
<b>Investments</b>						
Interest and Dividends	14	125	512	–	637	634
<b>Other</b>						
Other Income	2	91	–	–	91	399
Rents Receivable		506	–	–	506	697
<b>Total</b>		<b>22,090</b>	<b>512</b>	<b>–</b>	<b>22,602</b>	<b>21,929</b>
<b>Expenditure on:</b>						
<b>Raising funds</b>						
Non-charitable Trading Activities		7,015	–	–	7,015	7,665
Investment Management Costs		–	10	–	10	9
<b>Charitable Activities</b>						
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
<b>Total</b>	<b>3</b>	<b>21,202</b>	<b>661</b>	<b>–</b>	<b>21,863</b>	<b>21,003</b>
Net gains/(losses) on investment assets	13/14	399	252	1,125	1,776	(742)
<b>Net income</b>		<b>1,287</b>	<b>103</b>	<b>1,125</b>	<b>2,515</b>	<b>184</b>
<b>Other recognised gains/(losses)</b>						
Actuarial (losses) on defined benefit pension scheme	10	9,425	–	–	9,425	(7,081)
<b>Net movement in funds</b>		<b>10,712</b>	<b>103</b>	<b>1,125</b>	<b>11,940</b>	<b>(6,897)</b>
<b>Reconciliation of funds</b>						
Total funds brought forward	22	9,004	3,647	10,717	23,368	30,243
Opening balance adjustment		–	(158)	–	(158)	(136)
Total funds brought forward, as restated	–	9,004	3,489	10,717	23,210	30,107
<b>Total funds carried forward</b>	<b>22</b>	<b>19,716</b>	<b>3,592</b>	<b>11,842</b>	<b>35,150</b>	<b>23,210</b>

The statement of financial activities includes all gains and losses in the year. All incoming resources and resources expended derive from continuing activities. The notes to the accounts numbered 1 to 28 form part of these accounts.

## Statement of Financial Activities

	2020 Unrestricted Funds £'000	2020 Restricted Funds restated £'000	2020 Endowment Funds £'000	2020 Total restated £'000
Total Income	21,434	495	–	21,929
Total expenditure	(20,494)	(509)	–	(21,003)
Net investment gains/(losses)	(663)	(169)	90	(742)
Actuarial losses on defined benefit pension scheme	(7,081)	–	–	(7,081)
<b>Net movement in funds</b>	<b>(6,804)</b>	<b>(183)</b>	<b>90</b>	<b>(6,897)</b>

## Comparative information

### Consolidated Balance Sheet as at 31 December 2021

	Notes	2021	Group 2020 restated	2021	Institution 2020
		£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
Intangible assets	11	3,530	3,610	3,322	3,447
Tangible assets	12	6,298	6,697	5,516	5,919
Investments: mixed motive	13	2,908	2,679	2,908	2,679
Investments: listed	14	19,876	18,310	12,736	11,766
<b>Total fixed assets</b>		<b>32,612</b>	<b>31,296</b>	<b>24,482</b>	<b>23,811</b>
<b>Current Assets</b>					
Stocks	15	246	128	-	-
Debtors	16	3,175	2,556	7,353	7,434
Cash at bank and in hand		7,210	6,079	6,619	4,751
<b>Total current assets</b>		<b>10,631</b>	<b>8,763</b>	<b>13,972</b>	<b>12,185</b>
<b>Liabilities</b>					
Creditors: amounts falling due within one year	17	8,010	7,317	6,460	6,178
<b>Net current assets or liabilities</b>		<b>2,621</b>	<b>1,446</b>	<b>7,512</b>	<b>6,007</b>
<b>Total assets less current liabilities</b>		<b>35,233</b>	<b>32,742</b>	<b>31,994</b>	<b>29,818</b>
Creditors: amounts falling due after one year	18	83	-	-	-
<b>Net assets excluding pension liability</b>		<b>35,150</b>	<b>32,742</b>	<b>31,994</b>	<b>29,818</b>
Defined benefit pension scheme liability	10	-	(9,532)	-	(9,532)
<b>Net assets</b>	22	<b>35,150</b>	<b>23,210</b>	<b>31,994</b>	<b>20,286</b>
<b>The funds of the charity</b>					
Endowment funds		11,842	10,717	7,644	6,864
Restricted income funds		3,592	3,489	702	786
Unrestricted funds		19,716	18,536	23,648	22,168
Pension reserves		-	(9,532)	-	(9,532)
<b>Total unrestricted funds</b>		<b>19,716</b>	<b>9,004</b>	<b>23,647</b>	<b>12,636</b>
<b>Total charity funds</b>	22	<b>35,150</b>	<b>23,210</b>	<b>31,994</b>	<b>20,286</b>

The consolidated statement of financial activities is for the Group as a whole. The Charity's total income for the year was £16,229k (2020: £15,156k). The Charity's total funds increased by £11,708k in the year (2020: £5,692k decrease).

The financial statements were approved by the Trustee Board on 4 May 2022 and were signed on its behalf by:



**Peter Flinn**  
President



**Phil Peel**  
Chair, Finance Board

The notes to the accounts numbered 1 to 28 form part of these accounts  
Charity Registration No: 206882  
Scottish Charity Regulator No: SCO51227

**Institution of Mechanical Engineers – Consolidated Statement of Cash Flows Year ended 31 December 2021**

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities:			
<b>Net cash provided by operating activities</b>	25	1,805	1,753
<b>Cash flows from investing activities:</b>			
Dividends, interest and rent from investments	14	637	634
Purchase of property, plant and equipment	12	(366)	(583)
Proceeds from sale of property, plant and equipment		5	
Purchase of mixed motive investments	13	(35)	(43)
Purchase of intangible assets	11	(1,030)	(1,345)
Proceeds from sale of investments	14	3	118
Cash awaiting investment		12	15
<b>Net cash (used in)/from investing activities</b>		(774)	(1,204)
<b>Cash flows from financing activities:</b>			
New bank loans		100	-
<b>Net cash flows provided by financing activities</b>		100	-
Change in cash and cash equivalents in the reporting period		1,131	549
Cash and cash equivalents at the beginning of the reporting period		6,079	5,530
<b>Cash and cash equivalents at the end of the reporting period</b>		7,210	6,079

The notes to the accounts numbered 1 to 28 form part of these accounts

**Analysis of Net Funds**

	Balance 01.01.2021 £'000	Group CashFlows £'000	Balance 31.12.2021 £'000
Cash awaiting investment	53	(12)	41
Cash at bank and in hand	6,079	1,131	7,210
	6,132	1,119	7,251

# NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

## 1. ACCOUNTING POLICIES

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

### a) Basis of preparation

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

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

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

### b) Going Concern

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

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

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

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

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

## 1. ACCOUNTING POLICIES (CONTINUED)

As detailed above, Trustees have reviewed sensitivities and approved a 2022 budget reflecting expected levels of income to target a cash surplus during the year.

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

### c) Basis of consolidation

Consolidated figures for the Institution and group companies (see note 2 to the accounts) have been included in these financial statements for the year ended 31<sup>st</sup> December 2021. Companies acquired by the group are consolidated on an acquisition basis ie fair values are attributed to the Group's share of the net tangible assets and where the cost of acquisition (being the fair value of the purchase consideration and the expenses of the acquisition) is greater than the fair values attributable to such net assets, the difference is treated as goodwill.

### d) Income

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

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

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

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

Income from contracts for the provision of professional services (Professional Development, Information and Library Services, Apprentice end-point assessment, Venue Hire, Training, Exam Services, Consultancy, Flawed Samples categories) is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. When the outcome cannot be estimated reliably, income is recognised only to the extent of the expenses recognised that are recoverable.

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

## 1. ACCOUNTING POLICIES (CONTINUED)

### e) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

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

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

Freehold land is not depreciated.

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

### f) Goodwill

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

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

### g) Website and Digital Transformation costs

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

### h) Impairment of tangible and intangible assets

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

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

## 1. ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

### i) Financial assets

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

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

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

### j) Financial Liabilities

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

### k) Investments

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

## 1. ACCOUNTING POLICIES (CONTINUED)

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

### **Mixed-motive investments**

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

### **l) Foreign currency**

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

### **m) Expenditure**

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

### **n) Stocks**

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

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

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

### **o) Retirement benefit**

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

## 1. ACCOUNTING POLICIES (CONTINUED)

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

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

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

### p) Operating leases

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

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

### q) Grant commitments

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

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

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

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

### r) Critical accounting estimates and judgements

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

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

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

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

## 1. ACCOUNTING POLICIES (CONTINUED)

### Intangible fixed assets

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

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

### Unlisted investments

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

### Actuarial assumptions in respect of defined benefit pension schemes

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

### Bad debt provision

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

### s) Reserves

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

### t) Taxation

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

### u) Heritage assets

Heritage assets comprise:

- printed books
- archives
- works of art and artefacts

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

## 2. NET INCOMING RESOURCES

The consolidated results for the Institution are presented in the statement of financial activities. These include the activity of the parent charity, The Institution of Mechanical Engineers, and the activities of its 100% owned subsidiaries, as detailed below. The incoming resources of the Institution alone for 2021 were £16,229k (2020: £15,156k), and resources expended in 2021 were £15,125k (2020: £13,428k).

Other income	2021	2020
	£'000	£'000
Government grants – furlough scheme	90	394
Sales of consumables	-	5
Profit on the disposal of fixed assets	1	-
	91	399

### Subsidiary Companies

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

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

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

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

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

**2. NET INCOMING RESOURCES (CONTINUED)**

The objects of the Fund are to promote education in all engineering disciplines with a preference for mechanical engineering through the award of scholarships to: suitably qualified applicants to enable them to study engineering, with a preference for mechanical engineering, at any establishment approved by the trustee; and prizes for solutions to real problems encountered in the workplace by engineers following an accredited programme of work-based training.

**Subsidiary Companies 2021**

	PEP	Sona Intl	Sona Inc	IMechE Fife NDT	IMechE Services	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	3,774	1,716	771	112	–	6,373
Cost of sales	(1,194)	(855)	(422)	(40)	–	(2,511)
<b>Gross profit</b>	<b>2,580</b>	<b>861</b>	<b>349</b>	<b>72</b>	<b>–</b>	<b>3,862</b>
Distribution costs	–	(31)	(28)	–	–	(59)
Administration costs	(2,974)	(600)	(372)	(212)	(3)	(4,161)
Interest payable to the Institution	(108)	–	–	–	–	(108)
Other income	70	–	83	–	–	153
<b>Profit/(loss) on ordinary activities before tax</b>	<b>(432)</b>	<b>230</b>	<b>32</b>	<b>(140)</b>	<b>(3)</b>	<b>(313)</b>
Taxation	82	(27)	–	–	–	55
Dividends payable	–	–	–	–	–	–
<b>Total assets</b>	<b>4,091</b>	<b>2,534</b>	<b>523</b>	<b>938</b>	<b>0</b>	<b>8,086</b>
<b>Total liabilities</b>	<b>(7,370)</b>	<b>(503)</b>	<b>(689)</b>	<b>(347)</b>	<b>(21)</b>	<b>(8,930)</b>
<b>Total funds</b>	<b>(3,279)</b>	<b>2,031</b>	<b>(166)</b>	<b>591</b>	<b>(21)</b>	<b>(844)</b>

**Subsidiary Companies 2020**

	PEP	Sona Intl	Sona Inc	IMechE Fife NDT	IMechE Services	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	2,962	2,702	776	–	–	6,440
Cost of sales	(877)	(1,541)	(915)	–	–	(3,333)
Gross profit	2,085	1,161	(139)	–	–	3,107
Distribution costs	–	(43)	–	–	–	(43)
Administration costs	(3,336)	(702)	(27)	–	(3)	(4,068)
Interest payable to the Institution	(114)	–	–	–	–	(114)
Other income	266	13	–	–	–	279
Dividends receivable	300	–	–	–	–	300
<b>Profit/(loss) on ordinary activities before tax</b>	<b>(799)</b>	<b>429</b>	<b>(166)</b>	<b>–</b>	<b>(3)</b>	<b>(539)</b>
Taxation	39	43	–	–	–	82
Dividends payable	–	(300)	–	–	–	(300)
<b>Profit/(loss) for the year</b>	<b>(760)</b>	<b>172</b>	<b>(166)</b>	<b>–</b>	<b>(3)</b>	<b>(757)</b>
<b>Total assets</b>	<b>4,307</b>	<b>2,201</b>	<b>338</b>	<b>731</b>	<b>74</b>	<b>7,651</b>
<b>Total liabilities</b>	<b>(7,238)</b>	<b>(373)</b>	<b>(534)</b>	<b>–</b>	<b>(96)</b>	<b>(8,241)</b>
<b>Total funds</b>	<b>(2,931)</b>	<b>1,828</b>	<b>(196)</b>	<b>731</b>	<b>(22)</b>	<b>(590)</b>

### 3. EXPENDITURE

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to that category. For administrative purposes the Institution is divided into a number of directorates and then subdivided into departments. Accounting records permit the costs and revenues of all departments to be determined accurately. The classification of costs in the Consolidated Statement of Financial Activities utilises this information to show expenditure broken-down into broad functional areas. Where costs cannot be directly attributed to a particular heading, they have been allocated to activities on the basis of headcount and floor area

#### Total expenditure 2021

	Direct Costs	Allocated Support Costs	Total
	£'000	£'000	£'000
<b>Raising Funds</b>			
Non-Charitable Activities	6,051	964	7,015
Investment Management Costs	10	–	10
<b>Charitable Activities</b>			
Marketing and Policy	814	872	1,686
Group, Divisions and Events	2,587	1,782	4,369
Business Development	1,011	1,384	2,395
Apprentice End Point Assessment	1,048	114	1,162
Professional Development	289	474	763
Information and Library Services	475	326	801
Membership Subscriptions	1,064	1,463	2,527
Tenants and Public Facilities	–	400	400
Prizes, Awards and Scholarships	735	–	735
<b>Total resources expended</b>	<b>14,084</b>	<b>7,779</b>	<b>21,863</b>

#### Total expenditure 2020

	Direct Costs restated	Allocated Support Costs	Total restated
	£'000	£'000	£'000
<b>Raising Funds</b>			
Non-Charitable Activities	6,724	941	7,665
Investment Management Costs	9	–	9
<b>Charitable Activities</b>			
Marketing and Policy	984	785	1,769
Group, Divisions and Events	2,482	1,374	3,856
Business Development	1,117	1,112	2,229
Apprentice End Point Assessment	392	63	455
Professional Development	368	458	826
Information and Library Services	513	274	787
Membership Subscriptions	1,036	1,309	2,345
Tenants and Public Facilities	–	506	506
Prizes, Awards and Scholarships	556	–	556
<b>Total resources expended</b>	<b>14,181</b>	<b>6,822</b>	<b>21,003</b>

**3. EXPENDITURE (CONTINUED)****2021**

	<b>Governance &amp; Management</b>	<b>Finance</b>	<b>Information Technology</b>	<b>Facilities &amp; Depreciation</b>	<b>Defined Benefit Pension Charge</b>	<b>Total</b>
	£'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
<b>Total</b>	<b>2,400</b>	<b>751</b>	<b>1,574</b>	<b>2,750</b>	<b>304</b>	<b>7,779</b>
Basis of allocation	Headcount	Headcount	Headcount	Floor area	Headcount/ Floor area	

**2020**

	<b>Governance &amp; Management</b>	<b>Finance</b>	<b>Information Technology</b>	<b>Facilities &amp; Depreciation</b>	<b>Defined Benefit Pension Charge</b>	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000	£'000
Non-Charitable Activities	140	180	272	349	–	941
Marketing	250	96	161	243	35	785
Groups, Divisions and Events	438	169	282	426	59	1,374
Business Development	354	137	228	344	49	1,112
Apprentice End Point Assessment	21	8	13	21	–	63
Professional Development	146	56	94	142	20	458
Information and Library Services	83	32	54	93	12	274
Membership Subscriptions	417	161	268	405	58	1,309
Public Facilities – Birdcage Walk	–	–	–	506	–	506
<b>Total</b>	<b>1,849</b>	<b>839</b>	<b>1,372</b>	<b>2,529</b>	<b>233</b>	<b>6,822</b>
Basis of allocation	Headcount	Headcount	Headcount	Floor area	Headcount/ Floor area	

**4. TAXATION**

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

## 5. TRANSACTIONS WITH MEMBERS OF THE TRUSTEE BOARD

Neither the Trustees, nor any person connected with them, receive remuneration.

	<b>2021</b>	<b>2020</b>
	£'000	£'000
<b>Travel and subsistence expenses</b>	3	18
	No.	No.
<b>Number of members reimbursed</b>	2	6

All Trustee costs are reimbursements to Trustees for costs incurred in fulfilling their duties. The 2020 total includes £9k of exceptional subsistence expenses incurred due to the COVID-19 lockdown which were subsequently reclaimed through an Institution insurance policy.

## 6. INDEMNITY INSURANCE

	<b>2021</b>	<b>2020</b>
	£'000	£'000
<b>Indemnity insurance premiums paid</b>	13	21

During 2021 the Institution paid for three insurance policies, covering professional indemnity, the liabilities of trustees and "directors and officers" liabilities. Cover applies to the Trustee Board, ordinary members involved with Institution affairs and employees, including directors of subsidiary companies.

## 7. STAFF

	<b>2021</b>	<b>2020</b>
	No.	No.
Average numbers of staff employed throughout the year		
The Institution of Mechanical Engineers	130	128
Professional Engineering Projects Limited	42	49
Sonaspection International Limited	18	16
Sonaspection Incorporated	6	6
IMechE Fife NDT Limited	4	-
<b>Total employees</b>	200	199

## 8. EMPLOYMENT COSTS

	<b>2021</b>	<b>2020</b>
	£'000	£'000
Salaries and benefits	8,479	8,567
Employer's social security costs	798	777
Employer's pension costs	467	456
<b>Total employment costs</b>	9,744	9,800

**8. EMPLOYMENT COSTS (CONTINUED)**

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

	<b>2021</b>	<b>2020</b>
	No.	No.
£60,001–£70,000	15	13
£70,001–£80,000	7	4
£80,001–£90,000	3	5
£90,001–£100,000	3	3
£100,001–£110,000	2	1
£110,001–£120,000	-	1
£130,001–£140,000	1	-
£150,001–£160,000	1	-
£160,001–£170,000	-	1
£180,001–£190,000	-	-
£190,001–£200,000	-	1
<b>Total</b>	<b>32</b>	<b>29</b>

30 of the above employees (2020: 26) are members of the defined contribution scheme and none (2020: nil) are active members of the defined benefit scheme. The Institution contributed £144,456 as employer pension contributions (2020: 152,281) for these members into the defined contribution scheme.

During the year key management received remunerations and benefits of £516,665 (2020: £675,101). The remuneration of key management consists of salary, pension contributions and benefits in kind.

Number of Directors in 2021: 4 (2020: 4)

Highest paid director – Sean Fox (2020: Dr Colin Brown)

	<b>2021</b>	<b>2020</b>
	£'000	£'000
Salary	137	159
Benefits	21	26
Bonus	-	12
<b>Total</b>	<b>158</b>	<b>197</b>

The charity designated four directors as key management personnel.

4 employees were made redundant during the year (2020: 10). The cost of redundancies of £103,181 was paid during 2021 (2020: £154,458). Included within costs were ex-gratia costs of £31,451 payable to 4 people (2020: £54,671 to 7 people).

**9. AUDITOR'S REMUNERATION**

	<b>2021</b>	<b>2020</b>
	£'000	£'000
Fees for the audit of these financial statements	75	45
Fees for the audit of other group companies	32	27
Fees in relation to the prior year audit	75	–
<b>Total</b>	<b>182</b>	<b>72</b>

**10. PENSIONS**

The Institution operates a defined benefit scheme. A full actuarial valuation was carried out and updated to 31 December 2021, by a qualified independent company of actuaries. The major assumptions used by the actuary are detailed within this note to the financial statements. The scheme was closed to new members with an effective date of 5 September 2002, and is closed to future accrual.

A defined contribution pension plan has been established for employees who are not eligible to join the defined benefit pension scheme. The Institution has agreed to match employee contributions to the defined contribution plan up to a maximum of 10% of salary. There is an outstanding contribution at the end of the financial year of £102,388 (2020: £90,184).

The pension cost charge for the period represents contributions payable by the Institution to the defined contribution pension plan and amounted to £410,000 (2020: £411,000).

<b>Assumptions</b>	<b>2021</b>	<b>2020</b>
	%	%
Price inflation, (RPI)	3.10	3.00
Price inflation (CPI)	2.70	2.50
Pension increases	2.70	2.50
Salary increases	3.60	3.50
Return on assets	*	*
Discount rate	1.80	1.30

Mortality assumptions used in 2020 and 2021 are based upon the S3PxA tables adjusted to reflect the broad wealth characteristics of each member. Future improvements are assumed to be in line with the CMI projection model, assuming improvements have peaked. The long term improvement is assumed to be 1.25% p.a. (2020: 1.25% p.a.), declining at older ages.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting people within the following age groups to live for a number of years as follows:

	<b>2021</b>	<b>2020</b>
Male currently age 40–45	88.3	88.8
Female currently age 40–45	91.0	91.2
Male currently age 65	87.0	87.4
Female currently age 65	89.5	89.7

## 10. PENSIONS (CONTINUED)

### Movements in present value of defined benefit obligation

	2021	2020
	£'000	£'000
At 1 January	68,016	58,644
Current service cost	180	180
Interest cost	873	1,215
Actuarial (gains)/losses	(6,621)	9,767
Benefits and expenses paid	(1,932)	(1,790)
<b>At 31 December</b>	<b>60,516</b>	<b>68,016</b>

### Movements in fair value of plan assets

	2021	2020
	£'000	£'000
At 1 January	58,484	56,016
Interest on assets	750	1,162
Employer Contributions	410	410
Return on plan asset less interest	4,725	2,686
Benefits and expenses paid	(1,932)	(1,790)
<b>At 31 December</b>	<b>62,437</b>	<b>58,484</b>

### Analysis of Amount Credited/(Charged) in SOFA

	2021	2020
	£'000	£'000
	(180)	(180)
<b>Current service cost</b>	<b>(180)</b>	<b>(180)</b>

### Analysis of Pension Finance (Cost) / Income in SOFA

	2021	2020
	£'000	£'000
Interest on obligation	(873)	(1,215)
Interest on scheme assets	750	1,162
Net cost	(123)	(53)
<b>Amount (Charged)/Credited to SOFA (Total operating charge less net return)</b>	<b>(303)</b>	<b>(233)</b>

### Sensitivity of the value placed on the liabilities

Adjustments to assumptions	Approximate effect on liabilities
Discount rate decreased by 0.5% p.a.	+£5,546,000
Inflation increased by 0.5% p.a.	+£2,539,000
Long term rate of mortality improvement increased to 1.5% p.a.	+£681,000

**10. PENSIONS (CONTINUED)**

## Analysis of Gains / (Losses) Recognised in SOFA

	<b>2021</b>	<b>2020</b>
	£'000	£'000
Actuarial gains/(losses) on pension scheme assets	4,725	2,686
Change in impact of asset ceiling	(1,921)	–
<b>Actuarial (losses)/gains on obligation</b>	<b>6,621</b>	<b>(9,767)</b>
Actuarial (loss)/gain in Pension Scheme	9,425	(7,081)
<b>Actuarial (loss)/gain in pension plan recognised in SOFA</b>	<b>9,425</b>	<b>(7,081)</b>

## Movement in Deficit During Year

	<b>2021</b>	<b>2020</b>
	£'000	£'000
Deficit in scheme at 1 January	(9,532)	(2,628)
Current service cost	(180)	(180)
Employer contributions	410	410
Net return	(123)	(53)
Actuarial gain/(loss)	9,425	(7,081)
<b>Deficit in scheme at 31 December</b>	<b>-</b>	<b>(9,532)</b>

## History of Experience Gains and Losses

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
	£'000	£'000	£'000	£'000	£'000
Experience adjustments on scheme asset	4,725	2,686	4,947	(4,046)	3,251
Present value of scheme assets	62,437	58,484	56,016	51,174	56,248
Experience adjustment on scheme liabilities	6,621	(9,767)	(5,859)	1,981	(988)
Present value of scheme liabilities	60,516	68,016	58,644	53,069	56,020
Deficit/surplus in scheme	-	(9,532)	(2,628)	(1,895)	-

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

The Company expects to contribute approximately £500,000 to its defined benefit plans in the next financial year.

**11. FIXED ASSETS – INTANGIBLE ASSETS**

	Goodwill	Website & DM costs	Total
Group	£'000	£'000	£'000
<b>Cost</b>			
At 1 January 2021	5,232	4,699	9,931
Additions	-	1,030	1,030
Disposals	-	(24)	(24)
<b>At 31 December 2021</b>	<b>5,232</b>	<b>5,705</b>	<b>10,937</b>
<b>Amortisation</b>			
At 1 January 2021	5,232	1,089	6,321
Amortisation charged	-	863	863
Disposals		(24)	(24)
Impairment		247	247
<b>At 31 December 2021</b>	<b>5,232</b>	<b>2,175</b>	<b>7,407</b>
<b>Net Book Value</b>			
<b>At 31 December 2021</b>	<b>-</b>	<b>3,530</b>	<b>3,530</b>
<b>At 1 January 2021</b>	<b>-</b>	<b>3,610</b>	<b>3,610</b>
<b>Institution</b>			
<b>Cost</b>			
At 1 January 2021		4,422	4,422
Additions		938	938
<b>At 31 December 2021</b>		<b>5,360</b>	<b>5,360</b>
<b>Amortisation</b>			
At 1 January 2021		975	975
Amortisation charged		816	816
Impairment		247	247
<b>At 31 December 2021</b>		<b>2,038</b>	<b>2,038</b>
<b>Net Book Value</b>			
<b>At 31 December 2021</b>		<b>3,322</b>	<b>3,322</b>
<b>At 1 January 2021</b>		<b>3,447</b>	<b>3,447</b>

**Website and Digital Modernisation Programme, Platform costs**

The intangible assets for the Institution are represented by Website and Digital Modernisation (DM) costs. The website development was completed in March 2016 and began being amortised from April, with further expenditure on upgrades in 2021. The DM projects started to come into use during 2019 although there are significant amounts still in development. Both website and DM costs were purchased and developed by the Institution.

**12. FIXED ASSETS – TANGIBLE ASSETS**

	<b>Land &amp; Property</b>	<b>Furniture &amp; Equipment</b>	<b>Total</b>
	£'000	£'000	£'000
<b>Group cost</b>			
At 1 January 2021	10,706	2,052	12,758
Additions	83	283	366
Disposals/movements	-	(11)	(11)
<b>At 31 December 2021</b>	<b>10,789</b>	<b>2,324</b>	<b>13,113</b>
<b>Depreciation</b>			
At 1 January 2021	4,673	1,388	6,061
Disposals/write-off	-	(8)	(8)
Amount charged	430	332	762
<b>At 31 December 2021</b>	<b>5,103</b>	<b>1,712</b>	<b>6,815</b>
<b>Net Book Value</b>			
<b>At 31 December 2021</b>	<b>5,686</b>	<b>612</b>	<b>6,298</b>
<b>At 1 January 2021</b>	<b>6,033</b>	<b>664</b>	<b>6,697</b>
	<b>Land &amp; Property</b>	<b>Furniture &amp; Equipment</b>	<b>Total</b>
	£'000	£'000	£'000
<b>Institution cost</b>			
At 1 January 2021	10,271	966	11,237
Additions	76	102	178
Disposals/movements	-	-	-
<b>At 31 December 2021</b>	<b>10,347</b>	<b>1,068</b>	<b>11,415</b>
<b>Depreciation</b>			
At 1 January 2021	4,646	672	5,318
Disposals/movements	-	-	-
Amount charged	382	199	581
<b>At 31 December 2021</b>	<b>5,028</b>	<b>871</b>	<b>5,899</b>
<b>Net Book Value</b>			
<b>At 31 December 2021</b>	<b>5,319</b>	<b>197</b>	<b>5,516</b>
<b>At 1 January 2021</b>	<b>5,625</b>	<b>294</b>	<b>5,919</b>

The Institution's head office at One Birdcage Walk is included in Land and Property above at its depreciated historical cost. The Trustees believe that its open market value is significantly in excess of this historical cost based on carrying value. The Institution owns the freehold of One Birdcage Walk and its head office. Whilst part of the building is let out to third parties, the entire property is accounted for within tangible fixed assets at cost less depreciation as the areas rented cannot be separately disposed.

**12. FIXED ASSETS – TANGIBLE ASSETS (CONTINUED)****Heritage assets**

The Institution holds a collection of heritage assets which relate to the history of the Institution itself and the wider history of mechanical engineering as well as a specialist engineering library collection.

The collection is broadly split into the following categories:

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

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

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

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

There have been 3 donations made in 2021 (2020:1). No further additions or disposals of heritage assets were made in the last 2 years.

**13. INVESTMENTS – MIXED MOTIVE**

	Cost	2021 Market Value	Cost	2020 Market Value
	£'000	£'000	£'000	£'000
<b>Group and Institution</b>				
<b>Analysis of Investments – UK</b>				
<b>Stephenson LLP</b>	1,843	2,908	1,808	2,697
			<b>2021</b>	<b>2020</b>
			£'000	£'000
<b>Movement of Investments</b>				
Market value at 1 January			2,679	3,397
Acquisitions			35	43
Net investment (loss)/gain			193	(761)
<b>Market value at 31 December</b>			<b>2,907</b>	<b>2,679</b>
			<b>1,054</b>	<b>861</b>
Unrealised investment gain at 31 December				

**14. FIXED ASSETS – INVESTMENTS**

	<b>Cost</b>	<b>2021 Market Value</b>	<b>Cost</b>	<b>2020 Market Value</b>
	£'000	£'000	£'000	£'000
<b>Group</b>				
<b>Analysis of Investments – UK</b>				
Fixed Interest Unit Trusts	170	599	170	642
Equities Unit Trusts	1,312	6,542	1,312	5,903
Charities Official Inv. Fund Income Units	1,066	3,502	1,066	3,067
Cash	41	41	53	53
Property – let on 999 year lease	9	9	9	9
	2,598	10,693	2,610	9,674
Multi-Asset Funds	7,815	9,183	7,818	8,636
<b>Total Investments</b>	<b>10,413</b>	<b>19,876</b>	<b>10,428</b>	<b>18,310</b>
<b>Analysis of Funds and Ranges</b>				
<b>Reserve Fund – Unrestricted</b>				
Free range	3,028	3,470	3,034	3,270
<b>Whitworth Scholarships Fund</b>				
Restricted	819	2,942	819	2,691
Endowment	663	4,198	663	3,853
	1,482	7,140	1,482	6,544
<b>General Trust</b>				
Wider range	3,378	4,055	3,384	3,819
<b>James Clayton</b>				
Wider range	1,450	1,699	1,453	1,600
Special – property	9	9	9	9
	1,460	1,709	1,462	1,609
<b>Education and Research</b>				
Charities Official Inv. Fund Income Units	829	2,697	829	2,362
<b>Sundry Small Trusts</b>				
Charities Official Inv. Fund Income Units	237	806	237	706
	10,413	19,876	10,428	18,310

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

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

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

**14. FIXED ASSETS – INVESTMENTS (CONTINUED)**

<b>Movement of investments</b>	<b>2021</b> £'000	<b>2020</b> £'000
Market value at 1 January	18,257	18,356
Sales proceeds	(3)	(118)
Net investment gain/(loss)	1,581	19
Market value (excluding cash) at 31 December	19,835	18,257
Cash awaiting investment	41	53
Total market value at 31 December	19,876	18,310
Historic cost at 31 December	(10,413)	(10,428)
Unrealised investment gain at 31 December	9,463	7,882
	<b>2021</b> £'000	<b>2020</b> £'000
<b>Interest &amp; Dividends</b>		
Dividends receivable from unit trusts	637	634

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

**15. STOCKS**

	<b>2021</b> £'000	<b>2020</b> £'000
Group only		
Work in progress	128	28
Finished goods and goods for resale	118	100
	246	128

**16. DEBTORS**

	<b>Group</b>		<b>Institution</b>	
<b>Amount due within 1 year:</b>	<b>2021</b> £'000	<b>2020</b> £'000	<b>2021</b> £'000	<b>2020</b> £'000
Trade debtors	2,169	1,254	523	489
Other debtors incl VAT, other taxes	206	358	171	352
Prepayments and accrued income	800	944	642	734
Amounts due from group companies	–	–	896	738
	3,175	2,556	2,232	2,313
<b>Amount due after more than 1 year:</b>				
Loans due from group companies	–	–	5,121	5,121
	3,175	2,556	7,353	7,434

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

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

**17. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2021</b>	<b>Group 2020 restated</b>	<b>2021</b>	<b>Institution 2020</b>
	£'000	£'000	£'000	£'000
Trade creditors	902	882	594	739
Other creditors	155	297	156	212
Accruals	1,645	1,047	1,202	686
Bank loan	17	-	-	-
Grants payable	169	158	-	-
Taxation and social security	308	227	241	227
	<b>3,196</b>	<b>2,611</b>	<b>2,193</b>	<b>1,864</b>
Deferred income	4,814	4,706	4,267	4,314
<b>Total Creditors</b>	<b>8,010</b>	<b>7,317</b>	<b>6,460</b>	<b>6,178</b>

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

**Reconciliation of deferred income**

	<b>2021</b>	<b>Group 2020</b>	<b>2021</b>	<b>Institution 2020</b>
	£'000	£'000	£'000	£'000
Balance at 1 January	4,706	5,483	4,314	4,635
Amount released to income	(4,706)	(5,483)	(4,314)	(4,635)
Amount deferred in the year	4,814	4,706	4,267	4,314
<b>Balance at 31 December</b>	<b>4,814</b>	<b>4,706</b>	<b>4,267</b>	<b>4,314</b>

**18. CREDITORS – AMOUNTS FALLING DUE GREATER THAN ONE YEAR**

	<b>2021</b>	<b>2020</b>
	£'000	£'000
Bank loan	83	-

The bank loan was issued under the COVID-19 'Bounce-back' scheme in January 2021. There is no interest and no repayments in the first 12 months and the loan then bears interest at 2.5% and is repayable over a five year period.

## 19. OPERATING LEASE COMMITMENTS

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

	<b>2021</b>	<b>2020</b>
	£'000	£'000
Within one year	109	71
Between one and five years	482	296
Over five years	311	268

## 20. GRANT COMMITMENTS

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

This disclosure was incorrectly excluded from the 2020 financial statements. Comparative amounts for 2020 have been restated accordingly.

	<b>2021</b>	<b>Group 2020 Restated</b>	<b>2021</b>	<b>Institution 2020 Restated</b>
	£'000	£'000	£'000	£'000
Scholarship commitments due within one year	159	137	91	76
Scholarship commitments due after more than one year	458	456	76	69
Total scholarship commitments	<b>617</b>	<b>593</b>	<b>167</b>	<b>145</b>

**21. ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS**

<b>Group</b>	<b>Unrestricted</b> £'000	<b>Endowment</b> £'000	<b>Restricted</b> £'000	<b>2021 Total</b> £'000
<b>Fund balances at 31 December 2021 are represented by:</b>				
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)
	<b>19,716</b>	<b>11,842</b>	<b>3,592</b>	<b>35,150</b>

	<b>Unrestricted</b> £'000	<b>Endowment</b> £'000	<b>Restricted Restated</b> £'000	<b>2020 Total</b> £'000
<b>Fund balances at 31 December 2020 are represented by:</b>				
Intangible fixed assets	3,610	–	–	3,610
Tangible fixed assets	6,697	–	–	6,697
Investments: listed	3,273	12,313	2,724	18,310
Investments: social	2,679	–	–	2,679
Current assets and liabilities	2,277	(1,596)	765	1,446
Defined benefit pension scheme liability	(9,532)	–	–	(9,532)
	<b>9,004</b>	<b>10,717</b>	<b>3,489</b>	<b>23,210</b>

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

	<b>Unrestricted</b> £'000	<b>Endowment</b> £'000	<b>Restricted</b> £'000	<b>2020 Total</b> £'000
<b>Fund balances at 31 December 2020 are represented by:</b>				
Intangible fixed assets	3,447	–	–	3,447
Tangible fixed assets	5,919	–	–	5,919
Investments: listed	3,273	8,460	33	11,766
Investments: social	2,679	–	–	2,679
Current assets and liabilities	6,850	(1,596)	753	6,007
Defined benefit pension scheme liability	(9,532)	–	–	(9,532)
	<b>12,636</b>	<b>6,864</b>	<b>786</b>	<b>20,286</b>

**22. CAPITAL AND INCOME FUNDS – ANALYSIS**

Provided below is an analysis of the various funds included in these financial statements:

Group	Balance 01.01.2021 as reported £'000	Prior year adjustment £'000	Balance 01.01.2021 restated £'000	Incoming Resources £'000	Resources Expended £'000	Gains & (Losses) £'000	Balance 31.12.2021 £'000
<b>Unrestricted Funds</b>							
Institution, Reserve Fund and PEP Ltd	9,004	-	9,004	22,090	(21,202)	9,824	19,716
<b>Restricted Funds</b>							
Whitworth Scholarships Fund	2,861	(158)	2,703	208	(273)	252	2,890
General Trust (includes legacy)	16	-	16	151	(167)	-	0
James Clayton Trust	105	-	105	63	(100)	-	68
Trust for Education and Research	390	-	390	69	(95)	-	364
Sundry small trusts	275	-	275	21	(26)	-	270
	3,647	(158)	3,489	512	(661)	252	3,592
<b>Endowment Funds</b>							
Whitworth Scholarships Fund	3,853	-	3,853	-	-	345	4,198
General Trust	2,725	-	2,725	-	-	243	2,968
James Clayton Trust	1,534	-	1,534	-	-	102	1,636
Trust for Education & Research	2,095	-	2,095	-	-	335	2,430
Sundry small trusts	510	-	510	-	-	100	610
	10,717	-	10,717	-	-	1,125	11,842
<b>Total Funds</b>	<b>23,368</b>	<b>(158)</b>	<b>23,210</b>	<b>22,602</b>	<b>(21,863)</b>	<b>11,201</b>	<b>35,150</b>

Institution	Balance 01.01.2021 £'000	Incoming Resources £'000	Resources Expended £'000	Gains & (Losses) £'000	Balance 31.12.2021 £'000
<b>Unrestricted Funds</b>					
Institution, Reserve Fund	12,636	15,925	(14,737)	9,824	23,648
<b>Restricted Funds</b>					
General Trust (includes legacy)	16	151	(167)	-	-
James Clayton Trust	105	63	(100)	-	68
Trust for Education & Research	390	69	(95)	-	364
Sundry small trusts	275	21	(26)	-	270
	786	304	(388)	-	702
<b>Endowment Funds</b>					
General Trust	2,725	-	-	243	2,968
James Clayton Trust	1,534	-	-	102	1,636
Trust for Education & Research	2,095	-	-	335	2,430
Sundry small trusts	510	-	-	100	610
	6,864	-	-	780	7,644
<b>Total Funds</b>	<b>20,286</b>	<b>16,229</b>	<b>(15,125)</b>	<b>10,604</b>	<b>31,994</b>

**22. CAPITAL AND INCOME FUNDS – ANALYSIS (CONTINUED)**

The restricted and endowment funds mainly comprise a number of trusts established by deed, holding resources set aside to provide prizes and awards to recognise achievement and generally foster progress in mechanical engineering. The restricted funds represent the income and expenditure of each trust and the endowment funds the capital held to generate investment income. The Trustee Board acts as sole corporate trustee. The majority of the funds held originate from legacies and lifetime gifts donated to commemorate the achievements of prominent engineers. The General Trust and Trust for Education and Research were established with the agreement of the Charity Commissioners to aggregate the resources of a large number of smaller trusts with similar aims. The James Clayton Trust and some smaller trusts (for reasons of convenience totalled in the sundry category above) have more specific objectives and could not be included in the two main trusts. The Whitworth Scholarships Fund was originally established in 1868, with the trusteeship being transferred from the UK Government in December 2001.

	Balance 01.01.2020 as reported	Prior year adjustment	Balance 01.01.2020 restated	Incoming Resources	Resources Expended	Gains & (Losses)	Balance 31.12.2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Group</b>							
<b>Unrestricted Funds</b>							
Institution, Reserve Fund & PEP Ltd	15,808	-	15,808	21,434	(20,494)	(7,744)	9,004
<b>Restricted Funds</b>							
Whitworth Scholarships Fund	3,051	(136)	2,915	187	(230)	(169)	2,703
General Trust (includes legacy)	-	-	-	155	(139)	-	16
James Clayton Trust	89	-	89	65	(49)	-	105
Trust for Education & Research	406	-	406	68	(84)	-	390
Sundry small trusts	262	-	262	20	(7)	-	275
	3,808	(136)	3,672	495	(509)	(169)	3,489
<b>Endowment Funds</b>							
Whitworth Scholarships Fund	4,087	-	4,087	-	-	(234)	3,853
General Trust	2,629	-	2,629	-	-	96	2,725
James Clayton Trust	1,490	-	1,490	-	-	44	1,534
Trust for Education & Research	1,953	-	1,953	-	-	142	2,095
Sundry small trusts	468	-	468	-	-	42	510
	10,627	-	10,627	-	-	90	10,717
<b>Total Funds</b>	<b>30,243</b>	<b>(136)</b>	<b>30,107</b>	<b>21,929</b>	<b>(21,003)</b>	<b>(7,823)</b>	<b>23,210</b>

**22. CAPITAL AND INCOME FUNDS – ANALYSIS (CONTINUED)**

	Balance 01.01.2020	Incoming Resources	Resources Expended	Gains & (Losses)	Balance 31.12.2020
	£'000	£'000	£'000	£'000	£'000
<b>Institution</b>					
<b>Unrestricted Funds</b>					
Institution, Reserve Fund	18,681	14,848	(13,149)	(7,744)	12,636
<b>Restricted Funds</b>					
General Trust (includes legacy)	-	155	(139)	-	16
James Clayton Trust	89	65	(49)	-	105
Trust for Education & Research	406	68	(84)	-	390
Sundry small trusts	262	20	(7)	-	275
	757	308	(279)	-	786
<b>Endowment Funds</b>					
General Trust	2,629	-	-	96	2,725
James Clayton Trust	1,490	-	-	44	1,534
Trust for Education & Research	1,953	-	-	142	2,095
Sundry small trusts	468	-	-	42	510
	6,540	-	-	324	6,864
<b>Total Funds</b>	<b>25,978</b>	<b>15,156</b>	<b>(13,428)</b>	<b>(7,420)</b>	<b>20,286</b>

## 23. TRUST AND PRIZE FUND INDIVIDUAL ACCOUNTS

### General Trust

Benefactors comprise

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

### Trust for Education and Research

Benefactors and Predecessor Trusts comprise

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

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**

	<b>2021</b>	<b>2020</b>
	£'000	£'000
<b>Institution</b>		
Amounts due from/(to) Professional Engineering Projects Limited	726	574
Amounts due from/(to) IMechE Services Limited	18	94
Amounts due from/(to) Sonaspection International Limited	40	70
Amounts due from/(to) IMechE	113	-
Loan due from Professional Engineering Projects Limited	5,121	5,121
All amounts are considered to be repayable on demand during the year except the loan due from Professional Engineering Projects Limited, which has a 53 week notice period for repayment		
Transactions with Professional Engineering Projects Limited	(19)	22
Transactions with IMechE Services Limited	-	(1)
Transactions with Sonaspection International Limited	-	70
<b>Professional Engineering Projects Limited</b>		
Amounts due from/(to) Siantonas Ball Limited	(223)	(233)
Amounts due from/(to) IMechE Fife NDT Limited	(731)	(731)

Helena Rivers, originally elected as a Trustee on 24 May 2017, is also a director at AECOM. The Institution has charged a fee to AECOM for MPDS accreditation visits for a number of years now. Fees charged were £500 for the year ended 31 December 2021 (2020: £500). There was no balance outstanding as at 31 December 2021 (31 December 2020: nil).

Neil Kelly is a Director of Sonaspection International Limited appointed on 29th June 2020, whose close related family member is the owner of Kelly Contracting. Kelly Contracting provide electrical material and labour and have been providing a service for a number of years. Kelly Contracting charged £4,781 during the year to 31 December 2021 (2020: £4,246). There was no balance outstanding as at 31 December 2021 (31 December 2020: £21).

**25. RECONCILIATION OF NET INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	<b>2021</b>	<b>2020</b>
	£'000	<b>restated</b> £'000
<b>Net income for the reporting period (as per the statement of financial activities)</b>	2,515	184
<b>Adjustments for:</b>		
(Gain)/loss on disposal of tangible fixed assets	(1)	58
Amortisation	863	576
Impairment loss	247	-
Depreciation charges	762	818
Dividends and interest	(637)	(634)
(Increase) /decrease in debtors	(619)	910
Increase / (decrease) in creditors	676	(1,041)
(Increase)/decrease in stocks	(118)	317
(Gain)/losses on investments	(1,776)	742
<b>Net cash provided by operating activities before pension scheme costs</b>	<b>1,912</b>	<b>1,930</b>
Increase in Defined benefit pension scheme costs	(107)	(177)
<b>Net cash provided by operating activities</b>	<b>1,805</b>	<b>1,753</b>

**26. FINANCIAL INSTRUMENTS**

	<b>Group</b>		<b>Institution</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	£'000	£'000	£'000	£'000
Financial assets measured at amortised cost	9,760	7,979	8,264	6,216
Financial liabilities measured at amortised cost	2,802	2,226	1,951	2,550
Financial assets measured at fair value	19,875	20,989	12,735	14,445

**27. CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES 2020**

	Notes	Unrestricted Funds	Restricted Funds Restated	Endowment Funds	<b>2020 restated Total</b>	<b>2019 Total</b>
		£'000	£'000	£'000	£'000	£'000
<b>Income and Endowments from:</b>						
<b>Donations and Legacies</b>		72	–	–	72	17
<b>Charitable Activities</b>						
Membership Subscriptions		12,468	–	–	12,468	12,416
Groups, Divisions and Events		578	–	–	578	2,088
Professional Development		205	–	–	205	212
Information and Library Services		4	–	–	4	–
Apprentice End Point Assessment		411	–	–	411	199
<b>Other trading activities</b>						
Venue Hire, Training, Learning and Development		6,461	–	–	6,461	9,760
<b>Investments</b>						
Interest and Dividends	14	139	495	–	634	613
<b>Other</b>						
Other Income	2	399	–	–	399	1,885
Rents Receivable		697	–	–	697	743
<b>Total</b>		<b>21,434</b>	<b>495</b>	<b>–</b>	<b>21,929</b>	<b>27,933</b>
<b>Expenditure on:</b>						
<b>Raising funds</b>						
Non-charitable Trading Activities		7,665	–	–	7,665	9,720
Investment Management Costs		–	9	–	9	9
<b>Charitable Activities</b>						
Groups, Divisions and Events		3,856	–	–	3,856	1,774
Marketing		1,769	–	–	1,769	5,551
Business Development		2,229	–	–	2,229	2,173
Apprentice End Point Assessment		455	–	–	455	298
Professional Development		826	–	–	826	1,173
Information and Library Services		787	–	–	787	759
Membership Subscriptions		2,345	–	–	2,345	2,750
Tenants and Public Facilities		506	–	–	506	502
Prizes, Awards and Scholarships		56	500	–	556	624
<b>Total</b>	<b>3</b>	<b>20,494</b>	<b>509</b>	<b>–</b>	<b>21,003</b>	<b>25,333</b>
<b>Net gains/(losses) on investment assets</b>	<b>13/14</b>	<b>(663)</b>	<b>(169)</b>	<b>90</b>	<b>(742)</b>	<b>2,308</b>
Net income/(expenditure)		277	(183)	90	184	4,908
<b>Other recognised gains/(losses)</b>						
Actuarial gains/(losses) on defined benefit pension scheme	10	(7,081)	–	–	(7,081)	(912)
<b>Net movement in funds</b>		<b>(6,804)</b>	<b>(183)</b>	<b>90</b>	<b>(6,897)</b>	<b>3,996</b>
<b>Reconciliation of funds</b>						
Total funds brought forward, as previously stated	20	15,808	3,808	10,627	30,243	26,247
Opening balance adjustment		–	(136)	–	(136)	–
Total funds brought forward, as restated		15,808	3,672	10,627	30,107	26,247
<b>Total funds carried forward</b>	<b>18</b>	<b>9,004</b>	<b>3,489</b>	<b>10,717</b>	<b>23,310</b>	<b>30,243</b>

The note references above relate to those of the consolidated Statement of Financial Activities 2020 as issued last year.

## 28. PRIOR PERIOD ADJUSTMENT

Scholarships awarded by the Whitworth Scholarships Fund cover a period of study, usually three years, with a performance review required at the end of each academic year. In prior periods, we have not accrued for scholarships awarded for the academic year not yet paid at year-end. We have restated prior period creditor and fund balances accordingly. The disclosure relating to the restatement of fund balances has been included in Note 22.

### Restatement of creditors (group)

	<b>2021</b>	<b>2020</b>
	£'000	£'000
Accrual for grants payable within year, as previously reported	-	-
Accrual for grants payable within one year, as restated	158	136

# ADMINISTRATIVE DETAILS

## Name

The Institution of Mechanical Engineers

## Address of principal office

1 Birdcage Walk, Westminster, London, SW1H 9JJ

## Charity registration numbers

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

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

## Governing document and constitution

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

## Trustees

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

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

Trustees met 9 times for Board Meetings supported by the Executive team during 2021 (2020: 8). In addition to the 9 main Trustee Board meetings, the Trustees also met on 7 other separate occasions in 2021 to discuss specific issues.

The names of those who served as Trustees during the year and at the date of approval of this document are as follows:

	Number of meetings attended	Number of meetings in session
H A Clarke (due to retire 24 May 2023)	8	9
R C East (retired 26 May 2021)	4	4
B M Eickhoff (elected 26 May 2021, due to retire 22 May 2024)	5	5
P Flinn (retires 25 May 2022)	9	9
M P J Garside (due to retire 25 May 2022)	7	9
G S Hartill (re-elected 26 May 2021, due to retire 22 May 2024)	9	9
R G Hodgkinson (due to retire 25 May 2022)	9	9
Dr R C B Judge (appointed 28 July 2021, due to retire 25 May 2022)	4	4
Professor D Nowell (due to retire 25 May 2022)	9	9
R M O'Brien (due to retire 24 May 2023)	7	9
P J Peel (due to retire 24 May 2023)	9	9
V Raman (due to retire 24 May 2023)	9	9
H C Rivers (due to retire 24 May 2023)	9	9
T Spall (retired 26 May 2021)	4	4

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

## Administrative Details (continued)

### **Chief Executive:**

Dr Alice Bunn

### **Key Management Personnel:**

This includes the Chief Executive and three directors:

Finance and Commercial Director – Sean Fox

Human Resources Director – Bims Alalade

Membership Operations Director – Joanna Horton

### **Professional advisers**

#### **Auditor:**

BDO LLP, Baker Street, London W1U 7EU

#### **Bankers:**

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

CAF Bank Ltd, 25 Kings Hill Avenue, Kings Hill, West Malling, Kent ME19 4JQ

#### **Investment managers:**

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

Blackrock Investment Management (UK) Limited, 33 King William Street,  
London EC4R 9AS

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

#### **Solicitors:**

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

Bristows, 100 Victoria Embankment London, EC4Y 0DH

#### **Pension advisers:**

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

“““

22 STEM at Home activities in our range alongside 5 STEM Ambassador training sessions.



**Image credits:**

Front cover Areej Aamir from IMechE NPSC  
Page 4 Jason Broadhurst from Jam Butty Photography  
Page 6 Will Amlot from Will Amlot Photography  
Page 12 Jake Nebov from unsplash.com  
Page 16 Liubov Levytska from stock.adobe.com  
Page 22 Jason Broadhurst from Jam Butty Photography  
Page 26 © Smart Green Shipping  
Page 28 Ave Calvar Martinez from pexels.com  
Page 34 Tom Luddington from Tom Luddington Photography  
Page 40 © Office of Rail and Road  
Page 46 Metamorworks from shutterstock.com  
Page 54 Lyndsey Boulton from IMechE HQ  
Page 60 Matt Rooney from IMechE HQ  
Page 102 Jason Broadhurst from Jam Butty Photography

**Institution of  
Mechanical Engineers**

1 Birdcage Walk  
Westminster  
London SW1H 9JJ

T +44 (0)20 7973 1293  
F +44 (0)20 7222 8553

[media@imeche.org](mailto:media@imeche.org)  
[imeche.org](http://imeche.org)