TRUSTEE BOARD'S REPORT AND ANNUAL ACCOUNTS.

Institution of MECHANICAL ENGINEERS

01 January 2025–
31 December 2025

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

Improving the world through engineering

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President's statement

Matt Garside
CEng FIMechE

140th President of the Institution of Mechanical Engineers

Trust has been the central theme of my term, and it continues to guide my priorities and decisions into 2026.

That trust was clearly demonstrated by members: of those who voted on the future of our headquarters, almost 70% supported the resolution. This is not a decision to sell, but a key enabler that justifies the expenditure of resources ahead of a decision being made by trustees. While the confidence shown by members gives us a strong mandate to continue, we have taken time to pause and reflect, recognising that more work remains to be done.

Members also placed trust in the Institution to take long-term decisions on financial sustainability. The pension arrangements are now operational, delivering ongoing savings. I would like to acknowledge the significant contribution of Isobel Pollock-Hulf, and to recognise Ian Josebury for assuming the role of Chair of the Pension Trustees.

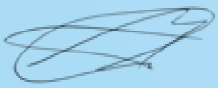
Throughout 2025, members delivered impressive work across the UK and internationally. We marked 200 years of the modern railway, reflecting the global impact of engineering. Strengthening our global presence remains a priority for IMechE, but it had been more than a decade since a President had visited the Oceania Region, and during my visit I learnt about a Māori tribe, visited universities, and saw first-hand the work of companies at the cutting edge of engineering and technology.

Our commitment to future engineers remained strong, with more than 3,600 students from 33 countries taking part in our engineering competitions. For the first time, both the President and the Chair of Council are former Young Members Board representatives; proving youth is not a barrier.

Internally, we continued to strengthen governance and operations. A culture review, engaging over 200 staff and members, has given us findings to address and to ensure we continue to learn, improve, and meet the expectations of the Charity Commission.

I would like to recognise a period of change within the staff team and thank colleagues for their dedication and service. In particular, Dr Alice Bunn, who shaped a clearer, more outward-facing strategy, and Joann Passingham, who joined us as Chief Operating Officer in June and stepped up as Interim Chief Executive Officer in October, delivering operational improvements with a clear focus on our Purpose.

Looking ahead, I will continue to spend time with members, focusing on trust in our profession, and showcasing the people behind the engineering and the impact you make. Thank you again for your continued support, engagement, and trust.



Matt Garside

Chief Executive's statement

Joann Passingham
Interim Chief Executive

I am pleased to share some key reflections in 2025 for the Institution, alongside our priorities as we move into 2026.

The past year has been one of significant change and, at times, challenge. It has also been a year of progress, laying the groundwork for a more stable, resilient, and forward-facing Institution. Stability does not mean stasis. Rather, 2025 has been about resetting - putting the right foundations in place so we can move forward with confidence.

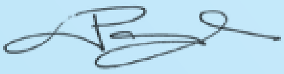
Member engagement has been an important indicator of this reset. Participation in our member ballots across the year was significant, reversing a longstanding trend and demonstrating growing confidence in our governance. Securing member support through key votes during the year has given us the mandate to move on from uncertainty and focus again on engineering and our purpose.

Much of 2025 was spent strengthening our foundations and tackling long-standing issues. Key actions included progress on investments, simplifying our trading activities to minimise distraction and sharpen organisational focus, and passing By-Law changes to enable a more agile and responsive organisation.

There were many achievements during the year, made possible by the dedication of members, volunteers, and staff. I would like to thank everyone who continued to deliver for the profession during a period of transition and change.

Looking ahead to 2026, culture will be a major focus. A recent independent culture review has been both sobering and necessary. We were right to act on concerns raised, including formally addressing unacceptable behaviours. The findings are honest about the scale of the challenge ahead, and that honesty is essential. Change will not be quick, but we are learning, acting, and committing to doing things differently. This work is fundamental to becoming more relevant, inclusive, and credible for future engineers.

Our strategy remains grounded in our purpose: supporting engineers, engaging with society, and ensuring engineering expertise helps address the challenges facing the world. There has never been a more important time for our voice to be heard. 2025 was about evolution, not revolution. We have done this work so that we can now move forward. Together, we are resetting the Institution and preparing it for the future.



Joann Passingham

Who we are

The Institution of Mechanical Engineers (IMechE) is a global professional engineering institution and registered charity.

Our mission

Improving the world through engineering.

Our purpose

Our purpose sets out how we deliver our mission. We do this by focusing on four core areas:

1.

Providing opportunities for members and the wider engineering community to **develop knowledge, skills, expertise and professional practice.**

2.

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

3.

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

4.

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

Founded in 1847, we support and connect a worldwide community of mechanical engineers and technicians.

Our vision

To become a global, inclusive and digitally enabled engineering community, empowering engineers to address the challenges of today and shape the solutions of tomorrow.

Our strategy

To deliver our vision, the Institution's strategy focuses on:

Membership development

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

Impact

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

Strategic enablers

To deliver our strategy, we will strengthen leadership and governance, create an inclusive culture, and build a digital-first approach that makes our services accessible to the global engineering community.

We will focus on sustainable finance, strong global collaboration, and continuous improvement so we remain resilient, responsive and focused on public benefit.

Delivering our mission and purpose

Purpose 1

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

In 2025, we:

Gave our global engineering community more chances to learn, grow professionally and collaborate with others in industry. We **attracted 25,740 attendees to a staff-led programme of 153 technical lectures, seminars, networking events, and webinars**, alongside a global programme of local activities, including lectures, visits and networking events, organised by our member networks.

Added 14 Continuing Professional Development programmes to the training portfolio including: Cooling and Heating Systems, Explosion Safety, Remote Handling, and AI for Rail Engineers.

Helped 91 mentors to stay informed, connected, and effective in guiding 591 engineers through professional registration at nine Mentor Forums. These forums build member engagement and skills, connect members with volunteering opportunities, and highlight career success stories that demonstrate the Institution's value.

Built technical expertise and professional skills through over **500 training workshops.**

Made it easier for our members to access world-class resources with **459,684 downloads supporting development of knowledge and professional practice** through our online engineering library.

Broadened access to engineering knowledge and professional development opportunities by delivering **17,093 days' worth of learning events, training and webinars** for the global engineering community.

Supported 139 engineering organisations with tailored training to improve their workforces' skills.

Received a 91% customer satisfaction rating and a Net Promoter Score of 40 across our training programmes (across 3,700 evaluations). Staff-run events had a Net Promoter Score of 33 (across around 1,200 evaluations) demonstrating their relevance and value to the engineering community.

Purpose 2

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

In 2025, we:

Conducted 21 full accreditation visits, 19 in the UK and two in Singapore. We visited Singapore Institute of Technology on behalf of the University of Glasgow and Newcastle University. These visits provide assurance to students, parents and employers, while supporting the global quality of engineering education.

Strengthened support for our global member community by renewing a **Memorandum of Understanding with the Beijing Institution of Engineers** (BIE).

Continued our Membership Partner initiative, enabling organisations to give their staff access to membership and professional registration opportunities. This supports workforces to build skills, gain qualifications and contribute to the industry.

Provided further incentives to young engineers to become professionally registered by **offering a 25% discount on our MPDS accreditation application fees.**

Delivered over 750 interview panels for Professional Registration. We introduced half-day interview panels and an online booking system to **more efficiently assess individuals to become professionally registered**. Application numbers were strong with over 3,300 applications.

Upheld professional standards and strengthened the engineering workforce by **supporting 2,289 individuals to achieve professional registration** (Eng Tech, IEng or CEng).

Supported 1,639 apprentices to receive certification, delivering the **highest number of End Point Assessments for the Engineering Technician Apprenticeship for the third consecutive year**. We expanded our End Point Assessment (EPA) standards portfolio and gained Ofqual recognition to deliver three new qualifications in 2026. This gives more apprentices a clear, accredited path to skilled jobs and career advancement.

Achieved an impressive 96% compliance rate in the annual Continuing Professional Development (CPD) audit. We redeveloped the Institution's CPD tools, ensuring they align with the new Engineering Council regulations for 2026. These enhancements will strengthen our support for members and reinforce our commitment to maintaining the highest professional standards.

Secured election, as an Institution, to the **Vice Chair position on the Professional Engineering Institutions (PEI) Defence Committee**, allowing us to influence and develop best practice for the engineering and defence community.

Purpose 3

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

In 2025, we:

Continued our commitment to bringing engineering into schools through our support of the Primary Engineer outreach project. 49% of the students participating were girls and women, while women working in engineering in the UK is only around 17% (source: EngineeringUK, 2025).

Delivered the highest-rated Virtual Work Experience programme on Springpod, the international learning platform, which drove 652 students to complete and gain meaningful skills, insight, and career exposure.

Awarded 394 student recognitions, including Whitworth and undergraduate awards and sponsorships, providing essential financial support.

Supported engineers pursuing vocational pathways through our EngTech and Apprentice awards. We also widened access to engineering by allocating £31,500 in educational awards through our General Trust Fund, which supported conference attendance to present papers, continuing professional development, and STEM initiatives in clubs, primary and secondary schools.

Sponsored 11 women engineering role models to complete the STEMazing Inspiration Academy. We engaged 304 students in 8 schools, 52% of whom were girls.

Supported the BBC Schools Tour, where **four of our members provided invaluable insight and inspiration for students** to take into their future careers. The Tour has reached over 124,000 secondary school students across 152 schools since September 2024, and garnered positive feedback from school staff and students.

Partnered with the UK's Department for Education to boost the pipeline of STEM teachers. We **promoted the Teach in Further Education programme**, encouraging engineers to teach part-time alongside their careers. We supported the department's Engineers Teach Physics Initial Teacher Training (ITT) programme.

Engaged circa **3,600 students and apprentices, 2,000 spectators, and 600 volunteers through our five educational competitions**, providing hands-on engineering experience and supporting the talent pipeline.

Bolstered the graduate talent pipeline into the Connected Automated Mobility sector by securing funding from the Department for Business and Trade Centre for Connected and Autonomous Vehicles. This enabled Formula Student to build and upgrade four of the Institution's AI vehicles.

Welcomed 117 teams participating across Formula Student Class, Formula Student Concept Class and Formula Student-AI competitions, an 8% increase compared to 2024.

Reached record participation across our competitions: 351 students in 41 teams (10 countries) in the Unmanned Aerial System Challenge; 103 apprentices in 17 teams (six organisations) in the Apprentice Automation Challenge; and 262 students in 57 teams (nine countries) in the Formula Student Sim Racing Series.

Purpose 4

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

In 2025, we:

Held 59 meetings and events with key decision-makers in government and industry to **influence policy across priority areas.** These include rail reform, inclusive transport, climate adaptation, aerospace sustainability, healthcare innovation, and education and skills. This work was supported by our five policy reports, drawing on evidence from our Technical Strategy Board and expert member committees to support evidence-based policymaking.

Collaborated with UK Metamaterials Network to produce a report aimed at elevating the profile of metamaterials. The report was produced with input from 36 experts across industry and academia. An accompanying panel event and technology showcase was attended by over 100 experts, students, and policymakers.

Shaped debate on inclusive public transport through a report, roundtable, and evidence session to the House of Commons Transport Committee, working with operators, innovators, policymakers, and Ruth Cadbury MP.

Gave evidence to the UK House of Commons Transport committee on ending boom and bust on investment in the rail industry.

Expanded our policy engagement beyond Westminster hosting high-profile events with policymakers in Scotland and internationally, including events on skills for Net-zero and making Glasgow a smart and sustainable city, and hosting the second International Conference on Climate Change Adaptation and Resilience. These events are key to our goal of shaping government policy and collaborating with industry.

Contributed our members' expertise to 18 political consultations and inquiries spanning transport, energy, education, industry, and infrastructure included parliamentary reviews, roundtables, panels, reports, events, and submissions to Budget proposals.

Hosted roundtables with key industry figures on the topics of sustainable supply chains, transforming the engineering healthcare workforce, reskilling in engineering, inclusive public transport, and safety and autonomous systems.

Worked with National Engineering Policy Centre partners to host a panel event with members of Parliament on how to deliver the clean growth ambitions of the UK's Industrial Strategy. Dr Alice Bunn OBE, spoke at the event and emphasised that engineers are central to the Industrial Strategy as they underpin the eight growth-driving sectors as well as enabling sectors like transport, construction and space.

Responded to the UK government's consultation on a green paper on the new modern Industrial Strategy, 'Invest 2035'. **We called for a National Engineering and Technology Workforce Strategy** as a key pillar of our submission. The government have since committed £100 million to engineering skills in England.

Delivering our vision and strategy

Membership development

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

Population

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

Performance indicator (PI)	2025	2024
Global membership retention rate (PI 1)	83.1%	79.5%
Percentage of free affiliate members progressing to corporate membership (PI 2)	3.9%*	4.0%

*In recent years, students have increasingly lapsed and returned after several years, rather than maintaining membership following graduation. Work to strengthen the membership proposition, starting in 2026, will include this audience to improve retention rates.

Global Membership

IMechE Region	2025	2024	Change
Americas	1,950	1,828	↑ 6%
Europe (exc. UK and Ireland)	4,822	4,667	↑ 3%
Middle East and Africa	8,671	8,604	↑ 1%
Northeast Asia	3,764	3,839	↓ 2%
Oceania	1,200	1,277	↓ 6%
South Asia	7,025	6,397	↑ 9%
Southeast Asia	5,982	5,926	↑ 1%
United Kingdom and Ireland	76,615	75,799	↑ 1%
Total Membership	**110,029**	**108,337**	**↑ 2%**

Satisfaction

We want to have satisfied and engaged members.

Performance indicator (PI)	2025	2024
Active volunteer members (PI 3)	5,165*	5,217
Eligible members voting in elections (PI 4)	3,986 (6.1%)**	6,221 (9.6%)

*This decrease reflects an ongoing review of volunteers inactive in the Institution's activities over the past two years, helping to maintain accurate records and support an engaged and trained volunteer network. New volunteers continue to be welcomed.

**In 2025, five ballots were held among an average eligible voting population of approximately 64,000 members. Turnout levels were 12.1% for Special Meeting 1 (HQ) in late January, 6.1% for Elections in April, 1.6% for the Annual General Meeting in May, 4.7% for the By-Law changes in October and 14.6% for Special Meeting 2 (HQ) in December. Participation decline in the April Elections likely reflects reduced engagement after a high-profile early ballot, with possible voter fatigue and a perception that key issues had already been addressed contributing to lower turnout.

Diversity

We want our membership to reflect the diversity of society.

Performance indicator (PI)	2025	2024
Retention rate of members based outside the UK (PI 5)	74.1%	59.0%
Percentage of women members (PI 6)	13.2%	12.2%

Impact

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

Learning

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

Performance indicator (PI)	2025	2024
Days of learning events attended (PI 7)	17,093	14,934*

*This figure has been corrected to reflect a change in calculation methodology to better measure the impact of learning activities and distinguish them from educational outreach activities. Previously reported 2024 figure was 18,833.

Influence

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

Performance indicator (PI)	2025	2024
Key influencing events (PI 8)	59	55
IMechE policy report citations (PI 9)	3*	6

*This reflects reduced capacity for external public relations and media engagement following changes to staffing during the year.

Reach

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

Performance indicator (PI)	2025	2024
Unique website visitors (PI 10)	170,697*	202,577
Views of engineering-related content on website (PI 11)	84,454*	80,279
Social media engagement per impression (PI 12)	1.57	0.97
Press references in target publications (PI 13)	182	162

*Actual engagement in 2025 is likely higher than shown. A technical issue affecting website interaction tracking, combined with delayed resolution following the reorganisation, resulted in under-reporting during the second half of 2025. Improvements to address these issues are underway and expected to be resolved in 2026.

Sustainable finances

Membership income

We want our membership income to support our strategic goals and enable us to continue delivering public benefit as a registered charity.

Performance indicator (PI)	2025	2024
Membership income (PI 14)	£15.1m*	£14.7m

*Membership income increased by £0.4m, or 2.7%, as a result of a 3% increase in membership fees in line with the Consumer Price Index, offsetting a 1.3% decline in paying members.

Income diversity

A greater spread of income increases our resilience and supports our charitable objectives by reducing reliance on any single source and enabling sustained investment in member services and impact activity.

Performance indicator (PI)	2025	2024
Unrestricted revenue from non-subscription sources (PI 15)	36%*	46%

* This year-on-year decline reflects the divestment of subsidiaries.

Free reserves

Our free reserves should enable us to cope with financial shocks and take advantage of opportunities in support of our long-term mission and responsibilities as a charity.

Performance indicator (PI)	2025	2024
Free reserves (PI 16)	£7.7m	£8.7m

* The reduction in free reserves primarily reflects the costs associated with the defined pension buy-in.

Securing long-term financial sustainability

In mid-2025, we implemented a cost-reduction reorganisation that affected 23 roles across the Institution. In parallel, additional cost-saving measures and revised budget-management arrangements were introduced. Collectively, these actions were intended to support a return to financial balance and improve the Institution's financial position while protecting our core charitable activities and member services.

The defined benefit pension scheme buy-in was started in July 2025. The savings arising from the transaction will be applied to capital repayment in future years, contributing to the rebuilding of the Institution's reserves and supporting its long-term financial position.

Members were engaged in decisions regarding the future of the headquarters estate. At a Special Meeting in January, members approved the marketing of the headquarters estate. Following further analysis and engagement, members subsequently approved, at another Special Meeting in December, a resolution authorising the Trustees to take all necessary steps to sell all the freehold and leasehold properties that together comprise the Institution's London headquarters. At the time this report was being written, the Trustee Board was focused on the next phase of work, including detailed planning, governance oversight and continued engagement with members.

Organisational capability and learning

Our work in this area reflects the interconnected nature of people, systems and leadership in delivering our strategy.

Organisational health and culture

As part of our wider work to strengthen organisational capability, we planned to introduce a set of organisational health key performance indicators (KPIs) to better measure and monitor workforce sustainability and effectiveness in 2025. These indicators were intended to focus on employee and volunteer retention, recruitment efficiency, productivity, development, performance, culture, behaviour, satisfaction, and engagement.

During the year, we prioritised two separate activities: an internal reorganisation to improve financial sustainability and a comprehensive culture review. As a result, the planned KPIs were not implemented in 2025. However, these initiatives provided valuable insight into organisational strengths and areas for improvement, and offered qualitative evidence to inform future workforce and culture initiatives.

The Senior Leadership Team will lead the development of organisational health KPIs, aligned with the culture review findings and action plan, with indicators to be defined by the end of 2026.

Operational effectiveness and digital enablement

In 2025, the Institution focused on strengthening financial sustainability, increasing efficiency and working towards digital transformation. These activities were undertaken to enhance the Institution's resilience and its ability to deliver public benefit.

Maximising efficiency to deliver our purpose and strategy

We reviewed our end-to-end business processes and how they flow into the Finance function to reduce complexity and improve efficiency.

As in 2024, the finance team continued to undergo major change following significant turnover of staff during 2025. Further work is required to build sufficient capacity and ensure the function operates effectively. We also prepared for the roll-out of a new member expense claims process in 2026 to improve the experience for volunteers supporting the Institution's work. We identified a number of system and process issues and began working with our system support team to address them and further streamline finance operations.

We began a review and consolidation of our prizes and awards to make the process more consistent and efficient. We also started developing a new database and management system to support this work, with implementation planned for 2027.

Alongside this, we introduced clearer governance and planning disciplines through the 2025 budgeting process. Recognising the value of meeting in person, we introduced guidance on when in-person and online meetings should be used. This should support effective decision-making while managing costs and making more consistent use of resources.

Business transformation and digital enablement

Building on substantial progress made in 2024, we completed the mapping of more than 500 existing processes across the Institution. This work establishes a clear baseline for the next phase of the transformation programme and supports the delivery of more accessible, consistent and digitally enabled services across our global community. We also began mapping future processes to inform the design and specification of new systems and solutions.

We separated the divested entities from the Institution's technical architecture and retired eight servers. This simplified the wide area network and, together with a planned change of supplier, reduced ongoing infrastructure costs.

We made changes to member-facing services. These included the launch of a new interviewer booking system, changes to the Initial Professional Review assessment to clarify requirements for applicants and assessors, and updates to the Continuing Professional Development Audit process in line with new regulatory guidance ahead of requirements coming into force from 2026.

Reviewing our high-level operating model

We strengthened the Institution's governance framework and high-level operating model to ensure they remain appropriate for a modern, global professional engineering institution and registered charity. Members approved proposed changes to the By-Laws and Trustee Board Regulations in October 2025, and these were subsequently approved by the Privy Council on 10 March 2026. Members were informed of these approvals on 11 March 2026, and the final elements of the planned rollout are expected to come into effect in May 2026.

We also began updating the Terms of Reference for our boards and committees to improve consistency and alignment with the 2024 UK Corporate Governance Code and the 2025 Charity Governance Code. In addition, we continued to develop our risk management processes, improving the identification and reporting of key risks to support decision-making and the prioritisation of mitigating actions.

Plans for the future

Our plans for 2026 will be delivered through the Institution's Business Plan and build on progress made in the previous year, including work on financial sustainability, operational efficiency, digital transformation, governance, and volunteering. Delivery will continue to be focused on three strategic priorities: Membership development (M1-3), Impact (I1-2), and Strategic enablers (E1-6).

Membership development

Developing and supporting our members will remain central to our work. Building on recent work on professional registration and the volunteering experience, we will continue to review and maintain membership processes to ensure they remain robust, relevant and sustainable.

M1 – We plan to successfully complete the five-year Engineering Council licence audit, building on work already undertaken to support quality, consistency and confidence in our registration processes.

M2 – We aim to expand the Professional Review Interview Assessor engagement programme, to improve volunteer participation and capacity and help meet demand while maintaining standards.

M3 – We intend to scope a review of the member offer and value proposition, informed by engagement with members and previous work to better understand member needs. This will inform future service provision and support long-term sustainability.

Impact

We will continue to focus on the contribution of our engineering community for the benefit of society, building on last year's work on celebrating engineering success and inspiring future generations.

I1 – Following the revamp and consolidation of our prizes and awards, we plan to further align the Prizes and Awards Strategy with the wider organisational strategy to support delivery of our priorities.

I2 – We aim to maximise the value of our student challenges and events portfolio, building on recent investment to support skills development, innovation and engagement with future engineers.

Strategic enablers

E1 – We plan to begin development of a new customer preference centre to support improved member account management and more data-informed decision-making.

E2 – We plan to build upon the completed system and process mapping by developing a digital technology roadmap, to support more efficient ways of working and inform the scoping and tendering of future digital platforms.

E3 – Following earlier work on organisational culture, we plan to begin implementation of the programme arising from the Culture Review, to support a positive, inclusive and effective working environment.

E4 – We will continue the review of governance and the high-level operating model to ensure structures are clear, consistent and effective.

E5 – Building on previous efforts to improve the volunteering experience, we plan to introduce a clear and consistent volunteer onboarding programme, to support engagement and take-up.

E6 – We will continue to work to strengthen financial resilience, including aiming to deliver a surplus at both budget and operational levels, increasing free reserves by £500,000, and a £1 million contribution towards a major repairs and refurbishment sinking fund, in line with our long-term sustainability objectives.

Volunteer and employee engagement

Volunteer engagement

The Institution relies on a diverse and dedicated network of volunteers who play an important role in delivering our charitable objectives. Volunteers support the engineering community, contribute technical expertise, and help promote engineering through professional practice, education, and outreach.

In 2025, our active volunteers contributed across a range of roles, including:

- **Governance,** ensuring effective oversight, strategic direction, and accountability.
- **Professional registration**, supporting assessment panels, mentoring applicants, and maintaining professional standards.
- **Regional and international engagement**, connecting the Institution with engineering communities worldwide and organising challenges, events and outreach activities that foster professional development and networking.
- **Technical and advisory support**, contributing expertise to industry discussions, thought leadership, and best practice guidance.
- **Education and STEM outreach,** inspiring the next generation of engineers through engagement with schools, universities, and apprenticeship programmes.
- **Prizes, awards, scholarships and engineering heritage**, celebrating excellence and promoting the profession's history and achievements.

Volunteers significantly extend the Institution's capacity, enabling us to deliver far more than possible through staff alone.

Our volunteer network includes:

- 299 Boards and Committees
- 56 Student Chapters
- 49 Young Member Panels
- 19 Local Volunteer Co-ordinators
- 2,297 STEM Ambassadors

We are grateful for the dedication of the 5,165 volunteers worldwide, who generously give their time to support the Institution's activities. Their contributions are invaluable to the success of our mission.

Enhancing the volunteer experience

In 2025, we continued our efforts to enhance the volunteer experience, ensuring that those who generously contribute their time and expertise feel supported, connected and appreciated.

Further enhancements were made to the Committee Management Hub, streamlining the administration of membership across the Institution's Boards and Committees. The Hub supports staff and volunteers with onboarding and offboarding processes, granting access to essential tools and services, and delivering key training. The Hub recorded 3,291 committee positions across the volunteer network.

Adoption of the Hub is currently concentrated within regional committees, with Governance and Membership teams yet to fully transition onto the platform. Recent system refinements are still being tested, and further rollout is planned to ensure comprehensive volunteer coverage and improved internal efficiency.

We strengthened governance and coordination across the global volunteer network, through regular online and in-person meetings. Volunteers in 348 groups held an estimated 1,400 meetings in 2025, fostering collaboration and alignment. The Member Networks team provided support for 50 Boards, Committees, and Sub-Committees, assisting with 228 meetings. The team served as a point of contact for 337 committees and individual representatives, attending approximately 80 further meetings to provide guidance and support.

Our systems also enabled volunteers to communicate directly with members. They sent 885 communications across 30 divisions and regional accounts, helping to maintain strong and timely engagement with the wider membership.

Looking ahead

In 2026, the Institution's primary focus for volunteer engagement will be the standardisation and improvement of volunteer onboarding and induction. This work will aim to ensure that all volunteers receive consistent, timely, and appropriate support from the outset of their involvement.

The Institution will also continue to strengthen volunteer recognition, broaden engagement opportunities, and improve access to relevant resources and training, reflecting our ongoing commitment to a positive volunteer experience.

Employee engagement

We continued to support employee engagement through learning, development, and involvement activities intended to strengthen staff capability and organisational effectiveness. This work was delivered during a period of organisational change and alongside a review of budgets that resulted in a reduction in the overall staff training budget to approximately 60% of previous years.

A focused programme of development activity was delivered during the year, ensuring best use of available resources. This included job shadowing, online learning, and secondment opportunities designed to build skills, broaden experience, and support internal mobility.

The annual Learning at Work Week was delivered with both in-person and virtual sessions to enable participation by office-based, home-based, and regional staff. The programme combined employee-led knowledge sharing, learning delivered by external partners, and development and engagement activities intended to support learning, motivation and collaboration across teams. Masterclasses on productivity and developing confidence and assertiveness were delivered as part of the programme.

A Management and Leadership Development Programme was launched during the year. The programme included personal profile assessments, one-to-one coaching sessions, and training focused on people management and leadership capability. Participation was open to managers and feedback following delivery was generally positive. Over 30 employees completed the programme during 2025, with a further cohort scheduled for spring 2026.

A significant proportion of the People and Culture team's capacity was directed towards the organisation's reorganisation programme, including planning, consultation, staff and manager support, and implementation of structural changes. As a result of the reorganisation, the team experienced a period of reduced strategic and operational capacity. Consequently, activity beyond core delivery was limited, including progress against the Investors in People (IIP) action plan, which was deferred to 2026.

In response to changing organisational needs, the People and Culture function began transitioning to a business partnering model to strengthen day-to-day support for managers and staff and improve continuity in people management support.

Looking ahead, a new process for the allocation and governance of training budgets will be implemented in 2026, alongside the revised operating model for the People and Culture function. An improved performance management and appraisal process will also be introduced to provide a more consistent and structured approach to performance management and to align individual objectives, development planning, and organisational priorities.

Environmental, social responsibility, and governance commitments

Environmental commitments

We are committed to reducing the environmental impact of our operations.

Our headquarters is a heritage building, which places some limits on immediate steps we can take to reduce carbon emissions. Even so, we continue to make improvements while developing long-term plans for the future for our headquarters. We also seek to reduce the volume of waste being sent to landfill and actively work with our refuse contractor to ensure a zero to landfill policy for all our waste disposal.

We remain committed to improving our environmental performance, although our 2025 energy consumption figures show a mixed picture. Our gas consumption increased from 671 MWh to 739 MWh. This rise was largely due to factors outside our control, including ageing and inefficient heating infrastructure, poor insulation and heat retention in the heritage building, and a failure of the Building Management System.

These issues reduced overall efficiency and led to longer operating hours. In contrast, our annual electricity consumption fell from 376 MWh to 317 MWh, reflecting ongoing efforts to reduce demand and operate more efficiently wherever possible.

As part of our wider commitment to environmental responsibility we continue to adopt digital-first ways of working where appropriate. This includes making the majority of our communications digital, which reduces our reliance on printed materials and use of resources across the organisation. Our ways of working minimise travel and ensure that our operations are managed in a more efficient and sustainable way.

Social responsibility commitments

Culture and inclusion

During 2025, the Institution progressed its culture and inclusion initiatives, with the support of our Culture and Inclusion Committee.

Key priorities included:

- Developing the next five-year Culture and Inclusion Strategy, due for launch in 2026.
- Establishing the foundation for the Culture Ambassador Network, empowering employees and members to champion an inclusive culture across the engineering community.
- Supporting work to better understand and strengthen organisational culture.

Our 'Creating Inclusion' learning programme remains free to members, employees, and the wider engineering community, supporting personal development and meeting Continuing Professional Development requirements for UK-SPEC D.3. This was rebranded and split into two levels to be better tailored to participants' experience.

We engaged with the Royal Academy of Engineering and the Science Council to complete the Diversity and Inclusion Progression Framework benchmarking exercise, conducted every three years.

Compared to the previous assessment (2021), results show improvements, while also highlighting opportunities for further progress. Insights from this exercise, combined with member and employee focus groups, informed the revised Culture and Inclusion Strategy.

We continued to support and collaborate with the Women's Engineering Society (WES), the Association for Black and Minority Ethnic Engineers (AFBE-UK), SheCanEngineer and the Business Disability Forum. We signed a new partnership with STEM Returners and launched a webinar addressing how to close the engineering skills gap. We also exhibited at the WES Conference in Birmingham, hosting a mentoring workshop attended by 90 participants.

Our commitment to inclusion is further reflected in our Support Network, which promotes accessibility by removing barriers linked to disability, neurodiversity, caring responsibilities, financial hardship, and career stage. Through targeted grants, tailored advice, and wellbeing support, it enable members from diverse backgrounds to participate fully, remain in the profession, and progress throughout their careers.

We actively engaged with staff, members and volunteers, hosting a Culture Day and a Pride celebration for staff at our office. Our annual flagship event, Engineering Needs Everyone, facilitated discussions around inclusivity in engineering spaces.

Multi-faith room

A multi-faith room is available at our headquarters, supporting the diverse needs of employees, members and visitors.

Educational access and support

We support access to engineering education by offering scholarships, financial assistance, and awards to students and early-career professionals. These opportunities recognise potential, reward achievement, and promote greater equity across their learning journeys. By investing in education, we contribute to a more inclusive and resilient engineering workforce.

Refugee support

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

Governance commitments

Governance and Charity Law compliance

The Institution takes its charitable status seriously and is committed to maintaining a robust governance framework that ensures ongoing compliance with statutory and regulatory obligations. Trustees and volunteers receive regular training to help them fully understand their responsibilities. This includes legal briefings on fiduciary duties, GDPR training and the Institution's well established diversity training, which helps support our values and behaviours.

Fair and responsible remuneration

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

Modern slavery prevention and ethical supply chain

The Institution is committed to preventing modern slavery and human trafficking in our operations and supply chains. We continually monitor and respond to requirements of the Modern Slavery Act 2015.

We study:

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

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

Employee gender pay gap

Although not a requirement for organisations of our size, we publish gender pay gap information every year as part of our commitment to our values.

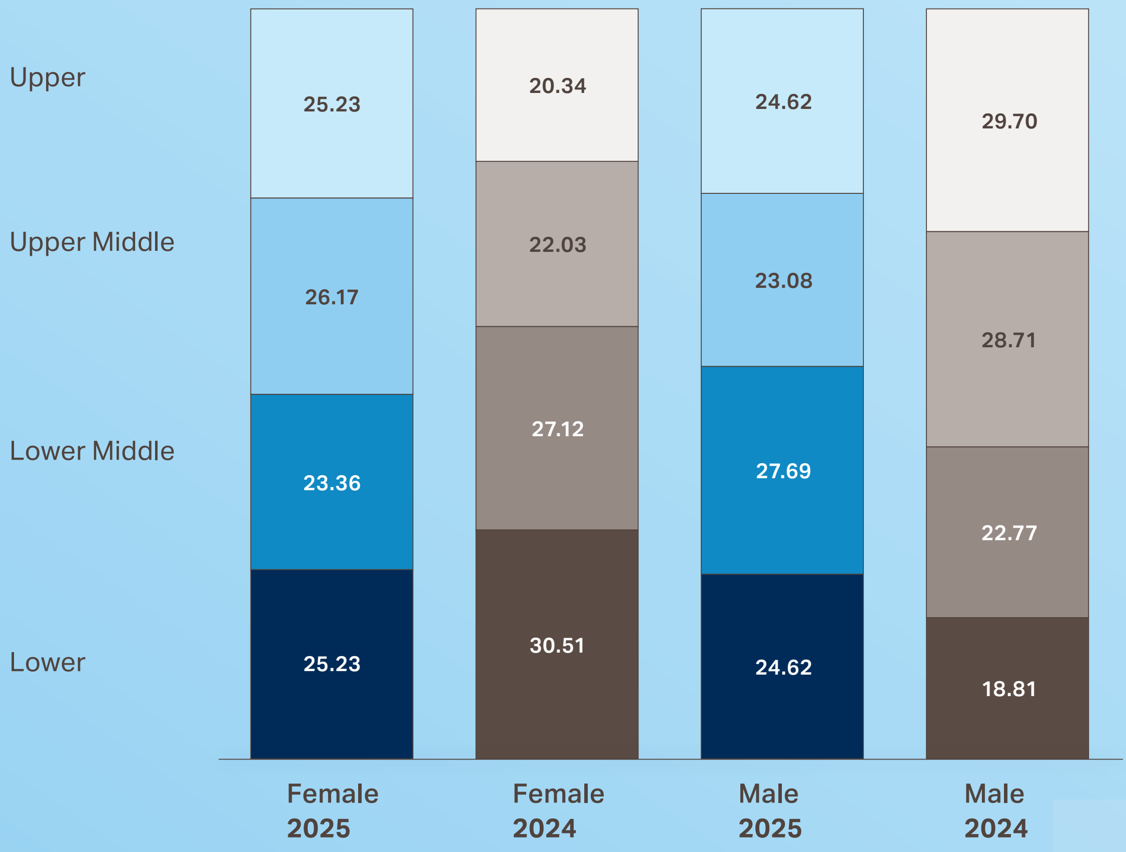
In 2025, male employees earned about 7% more on average (mean gender pay gap) than female employees. This is a smaller gap than in previous years, when it was 10.72% in 2024 and 13.30% in 2023. The gap has reduced because of the presence of more female employees in higher-paid roles. In 2025, female employees made up 51% of the top two pay groups (upper and upper-middle quartiles), up from 42.37% in 2024, while the proportion of male employees in these roles fell from 58.42% to 47.69%.

Looking at pay at the middle of the organisation (median gender pay gap), female employees earned £1.03 for every £1 earned by male employees.

Overall, there were more female employees than male employees across all four pay groups (quartiles).

The 2024 Gender Pay Gap results included employees from Sonaspection International Limited (UK-based), IMechE Argyll Ruane and IMechE Fife NDT Limited. These companies were not part of the Institution for the 2025 Gender Pay Gap snapshot on 5 April 2025.

Split of employees per quartile (%)



Governance and risk management

Administrative details

Name
The Institution of Mechanical Engineers

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

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

The Whitworth Scholarship Funds are registered under 313756.

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

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

Professional advisers

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

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

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

Cazenove Capital - 1 London Wall Place, London EC2Y 5AU

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

Pension advisers:
Barnett Waddingham LLP - Decimal Place, Chiltern Avenue, Amersham HP6 5FG

Lane, Clark & Peacock LLP - 95 Wigmore Street, London W1U 1DQ

Governance structure and trustee appointment

Trustee Board

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

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

President	**Dr Clive Hickman OBE** until 22.05.2025 **Matt Garside** from 22.05.2025
Deputy Presidents	**Matt Garside** until 22.05.2025 **Dr Richard Judge** elected 23.04.2024 **Prof David Nowell** from 22.05.2025
Vice Presidents	**Simon Evans** elected 25.05.2023 **Prof David Nowell** until 22.05.2025 **Chanaka Wanniarachchi** casual vacancy until 22.05.2025 **Ruth Shilston** elected 22.05.2025
International Vice President	**Chris Chong** elected 23.05.2024
Ordinary Members	**Abbey Addison** elected 23.05.2024 **Ruth Shilston** elected 25.05.2023 until 21.05.2025 **Darren Sharpe** elected 23.05.2024 **Christopher O'Boyle** co-opted 14.02.2024 until 04.12.2025 **Adrian Waldock** co-opted 18.10.2024
Member under 30	**Joshua Thomson-Smith** elected 24.05.2023
Member normally resident overseas	**Peter Lee** casual vacancy until 22.05.2025 **Lisa Norcross** elected 22.05.2025

In 2025, Trustees met nine times for Board Meetings supported by the Executive team. Trustees met on four additional occasions to discuss specific issues.

The roles described were correct for the reporting year and will be updated in future years to reflect changes to the By-Laws approved in March 2026.

Executive Team

The Chief Executive Officer (CEO) is responsible for the day-to-day management of the Institution, in line with the Royal Charter, By-Laws and the strategic direction set by the Trustee Board, as well as for the organisation and leadership of its employees.

The CEO is supported by the Senior Leadership Team, comprising Executive and Associate Directors responsible for Data and Change, Finance, Governance, Impact, Learning and Development, Marketing and Communications, Recognition and Membership Growth.

In 2025, a number of executives left, and their responsibilities were covered by interim appointments and the remaining members of the Senior Leadership Team.

Chief Executive Officer	**Dr Alice Bunn, OBE** until 30.09 2025 **Jo Passingham** (Interim) from 01.10.2025
Chief Operating Officer	**Jo Passingham** from 16.06.2025 until 30.09.2025
Director of Digital, Data and Innovation	**Jake Fraser** until 01.09.2025
Director of Engineering Policy and Impact	**James Partington**
Director of Finance	**Bill Chidgey** (Interim) until 08.08.2025
Director of Member Operations	**Joanna Horton** until 30.09.2025 **James Partington** (Acting) from 01.10.2025
Director of People & Culture	**Bims Alalade** until 06.08.2025

Boards and Committees

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

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

Governance

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

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

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

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

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

Operational

Comms Forum – Brings together the Chairs of the Operational Boards with the Executive to ensure aligned operating standards and effective communication between all operational delivery elements. It became the Integrated Operating Board (IOB) following Privy Council approval of the By-Law changes in March 2026.

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

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

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

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

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

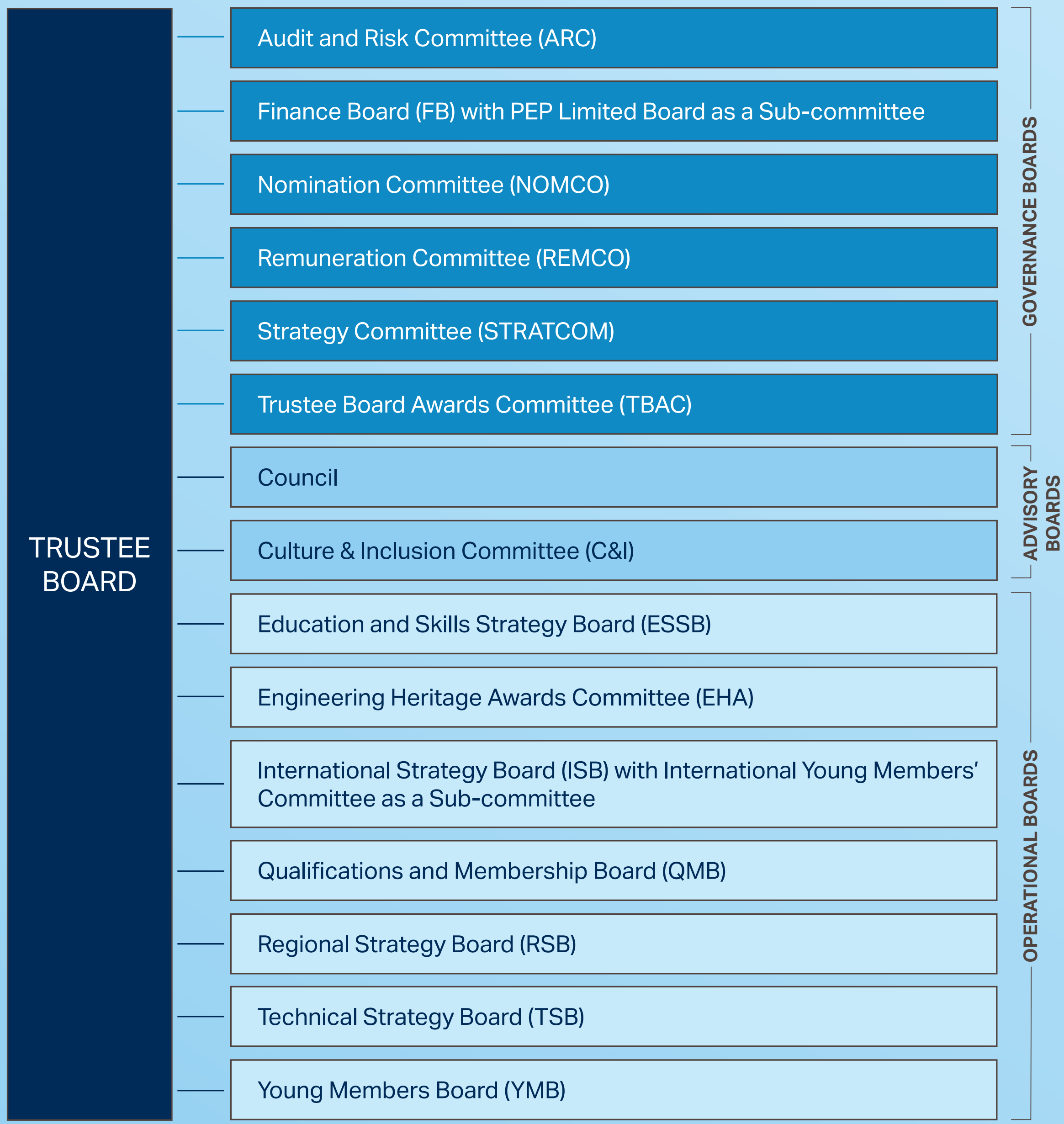
Technical Strategy Board (TSB) – Promotes technical interests and coordinates activities across industry sectors (Divisions) and engineering technologies (Groups).

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

Advisory

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

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



Grant-making governance and oversight

Grant-making activity is overseen through trustee-led governance structures to ensure funds are awarded in line with the Institution's charitable objectives and within agreed controls. Oversight is provided by the Educational Awards Committee (EAC), a sub-committee of the Trustee Board Awards Committee.

The EAC is responsible for the fair and transparent assessment and distribution of grants funded through designated Trust Funds. It focuses on awarding grants, and financial assistance to members and students involved in education, training, and research.

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

Governance review

As anticipated in the 2024 Annual Report, the Institution has taken forward work to update how the Trustee Board, Council, Executive, and associated committees collectively decide and deliver the Institution's strategy and plans.

The associated changes are designed to improve accountability, enable better-informed decision-making, and open new opportunities for members to help shape the Institution's priorities.

Serious governance and conduct matter

During the year, the Institution disclosed a serious governance and conduct matter to the UK Charity Commission. The matter related to concerns raised over a period of time regarding behaviours that did not align with the organisation's values and expected standards of conduct.

In response, an independent culture review was commissioned and undertaken during the reporting year to examine organisational behaviours and culture.

The findings of the review, together with the development of any associated implementation plan, is being considered in 2026.

The Trustees recognise the importance of maintaining a safe, respectful, and inclusive environment for staff, volunteers, and members, and will consider the outcomes of the independent review.

Risk management and risk appetite

Risk management

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

The Risk Manager and the Associate Director of Governance work with the Senior Leadership Team (SLT) and Department Managers to maintain the risk register. New and existing risks are regularly reviewed and managed. Operational risks are escalated to the SLT to review and discuss mitigations where the risk score has changed negatively in a quarter or where the risk is reaching the maximum tolerance within the risk appetite for that area. Operational risks are added to the Corporate Risk Register when a more strategic overview is required due to the likely impact on reputation, finances or achievement of the strategic objectives.

The Trustee Board is responsible for the Institution's risk, but they delegate oversight to the Audit and Risk Committee (ARC). ARC reviews the Corporate Risk Register at each quarterly meeting to make sure that risks are being addressed and properly mitigated. The Trustee Board receives the Corporate Risk Register quarterly and undertakes a formal review annually, in addition to considering any major risks escalated by the ARC as required.

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

Risk appetite statement 2025

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

Risk appetite is the amount and type of risk that the Institution is willing to take in order to meet its strategic objectives. The level of risk the Institution is willing to take will be different for each risk type. The risk appetite is determined by the Trustee Board and SLT.

Risk tolerance is typically used as a specific benchmark for the acceptability of a given risk exposure or metrics, such as a risk or control effectiveness indicator. In this regard, the Institution may decide that it is prepared to tolerate a specific number of errors or control weaknesses because their elimination would not be cost-effective.

The Institution's priorities include:

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

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

Our risk appetite is outlined by category as:

Appetite	Category
Zero or very low We will not tolerate risks in this area	**Regulatory and compliance** Risks that may result in non-compliance, leading to the potential for the legality of our activities being questioned, or an adverse impact regarding our health, safety and environment record. **Reputational** Risks (including, but not limited to, culture, equity, diversity, inclusion, values and behaviours) that could damage or undermine stakeholder trust or diminish public confidence in the engineering profession.

Low We will tolerate a low level of risk in this area but with clear indicators in place for effective monitoring and alerts	**Financial** Risks that affect our drive for financial stability; noting that a degree of risk is tolerated for the purposes of investments, but our funds are diversified and conservatively managed. **Operational** Risks that could impact the quality or reliability of our operations and member services.
Moderate We will encourage risk in this area to take advantage of opportunities to grow and enhance our business. Indicators will be in place to monitor progress and to raise alerts if purpose is compromised or the outcomes negatively impact other parts of the business	**Strategic** Risks that drive innovation, growth and enable our capabilities in support of our purpose.

Major organisational risks

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

Risk category: Financial

Risk	Management
The Defined Benefit pension scheme valuations move adversely in the future IMechE has a defined benefit pension scheme (closed to new members for many years). There is a high cost of administering the scheme.	The Pension Trustees, the Institution and the scheme administrators (Barnet Waddingham) have explored opportunities to eliminate this risk. Market conditions were considered very favourable, and as such, in July 2025, a buy-in of this scheme has been committed to moving to a full buy-out expected in 2027. The full cost of this is estimated at £3.4 million, though there will be savings of £0.4 million per year going forwards and the removal of significant risk.
Significant investment to achieve a fit for purpose HQ The cost of running and maintaining the Institution's property assets, which continues to increase, remains a long-standing risk. Our headquarters continue to require major repair works and investment due to its age and condition, which poses high financial risk.	The Headquarters Sponsor Board (HQSB) had delegated authority from the Trustee Board to manage the review of options for the future of the headquarters building. In December 2025, members were asked to vote on the resolution: "Pursuant to By-law 70 in the Institution's Bylaws, the Trustee Board are hereby authorised to take all necessary steps to sell all of the freehold and leasehold properties that together comprise the Institution's London headquarters, including without limitation, 1 & 3 Birdcage Walk, 5 Storey's Gate, 8–12 Old Queen Street, and part of 2–4 Old Queen Street, London." The resolution was approved by 69.8% of those who voted, achieving the required two-thirds majority. The next stage of the process is for a full business case to be developed in 2026. During this period, maintenance is planned, as are building inspections (twice a month). The Trustee Board is ultimately responsible for Health and Safety. Trustees and the Audit & Risk Committee receive regular health and safety reports to provide assurance that all legal obligations are met.

Unsustainable finances There are risks arising from unresolved decisions on the headquarters building, insufficient alignment between operating costs and strategic priorities, and the need to further strengthen and embed consistent financial management practices.	Significant progress has been made in addressing long-standing pension and trading subsidiary risks, with the future of our headquarters building being the remaining major issue to resolve. Alongside this, increased emphasis is being given to simplifying our financial structures and strengthening management practices. This has included a project to better understand our cost base, which supported an organisational restructure in 2025 and provides a valuable foundation on which to build our three year plans. A baseline budget approach in 2025, combined with a focus on stronger budget management, has resulted in a fully costed and approved budget for 2026. Proposals to strengthen how the Institution works together, through the outcomes of a cross-cutting review that explored our high-level operating model, will also help financial sustainability.

Risk category: Operational, Compliance and Regulatory

Risk	Management
Cyber threats and GDPR breaches Cyber security remains a high risk, with old systems presenting a higher risk. Risks include malicious attacks from a third party and human error within the organisation. The Institution relies on a large network of volunteers to carry out its objectives. This network often sends and receives information, to all active volunteers, increasing this risk.	A reduction of network infrastructure reduced external exposure to cyber threats. The soft rollout of multi-factor authentication to volunteers was introduced to improve security. We brought mobile device management in house, again reducing loss of data if stolen or lost. We also moved away from managed services to have direct control over firewalls. All staff and volunteers complete GDPR training. We plan to increase the frequency of volunteer training. Incidents are reported centrally, which helps us to understand different needs. We can then tailor training to departments. Ongoing improvements to business-critical systems, including regular security updates and patching, continue to mitigate the risk. However, progress in this area was influenced by the departure of the Director of Digital, Data and Innovation. While this created a short-term gap in specialist leadership, work continued and momentum will build as capability is re-established.
Low volunteer engagement Reduced member engagement is a risk as volunteers are essential to some of our core activities.	We are looking to measure the experience of our volunteers. A volunteer service benchmark project will evaluate how we engage and support volunteers across the organisation and is managed by both staff and volunteers. The Comms Forum continues to share information throughout the volunteering community and has had positive engagement. Key policies to support volunteers are under review or being created.

The Institution's values and expected standards of behaviours are not embedded across all activities. This could result in behaviours that do not align with those standards and may lead to concerns, complaints, or grievances being raised, with potential adverse impact on the Institution's reputation and standing.	Work continues to embed the Institution's values and expected standards of behaviour. Complaints and behavioural policies are in place, and a review of how the different complaint policies align is underway to support clarity and effective handling of concerns. An externally supported review of culture and behaviours was commenced during 2025 and will continue into 2026. The findings of the review and any associated implementation planning will be considered in 2026.

Public benefit statement

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

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

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

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

The Institution actively pursues the development of debate and action on topics for the betterment of society that relate to mechanical engineering. Additionally, the Institution provides educational and training opportunities for members at all levels of engineering expertise to develop and increase their knowledge, understanding and expertise.

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

Financial Review

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

Continued progress was made throughout 2025 in addressing a range of long-standing financial challenges, with the goal of simplifying our financial structures and creating a strong foundation for the future. This includes the targeted restructuring and review of costs that will allow the Institution to return to a balanced budget in 2026 and beyond; the streamlining of our commercial activities through strategic divestments and closure of dormant subsidiaries; derisking the defined benefit pension scheme through a buy-in; and securing member approval to enable further work on the future of the headquarters.

As in 2024, the finance team continued to undergo major change following significant turnover of staff during 2025. While this brought challenges through the loss of institutional knowledge, it also creates opportunities to introduce new ways of working. Eleven audit findings from the 2024 audit and four from prior year audits were resolved during the year with work progressing on the remaining fourteen. Work continues in 2026 on the strengthening of financial management and reporting across the Institution.

Together, these actions are helping to create a more resilient financial platform that enables us to invest confidently in our strategic objectives.

Overview of operational performance

In 2025, overall group income decreased by £3.6M to £28.3M (2024: £31.9M), with total group expenditure decreasing by £3.6M to £29.0M (2024: £32.6M), this is primarily a result of divestments. The operating deficit increased slightly to £0.8M (2024: £0.7M) before investment and other gains and losses of £1.0M.

Taken together, the Group operating and non-operating activities resulted in a net deficit of £2.9M (2024: £1.4M). This £1.5M increase in net deficit reflects continued progress in tackling long-standing financial challenges. Primarily, the £2.1M cost impact to remove risk from the defined benefit pension scheme through a buy-in, with the expectation that this leads to a buy-out by 2027. This investment pays back within 9 years, based on a total cost of up to £3.4M for buy-out, relative to net costs of £0.4M avoided annually.

The growth in membership income is a result of the 3% increase in the subscriptions rates. Membership income of £15.1M was a £0.4M or 2.7% increase on previous year (2024: £14.7M). Overall membership numbers increased to 110,029 in 2025 (2024: 108,377). The number of paying members declined slightly 1.3% from 65,987 in 2024 to 65,134 in 2025. The costs associated with membership subscription did increase by £0.3M to £3.7M (2024: £3.4M) this is due to the increase in allocated support costs as direct costs fell by £0.1M compared to 2024.

Groups, Divisions & Events saw income increase by £0.2M to £2.1M (2024: £1.9M) which is primarily the increase in delegate income. Expenditure rose to £8.3M (2024: £6.9M) due to £0.6M increase in direct costs and £0.7M of support costs. The cost of delivery for events was offset by increase in income. There has been continued growth within most areas of member engagement activity and associated investment year on year, although overall expenditure was £0.2M underspent relative to available budget of £0.7M. This is influenced by varied factors, and we are working with Operating Boards to consider how best to target and support take-up of these funds to achieve the intended member benefit.

Apprentice End Point Assessment deficit rose to £0.4M for the year (2024: £0.2M deficit), even though its income increased to £3.5M (2024: £2.7M), driven by higher provider activity as the Engineering Technician standard winds down and learners are progressed through the legacy standard. Expenditure rose more sharply to £3.9M (2024: £2.9M), driven by a £0.7M increase in direct costs associated with strengthened assessment governance, investment in the development of new qualifications, and the establishment of sustainable delivery capability, alongside a £0.2M increase in allocated support costs.

Support costs increased by £1.1M allocated across IMechE's charitable and commercial departments driven by a £0.8M increase in governance and management primarily due to restructuring costs to lower our salary base, with salary savings in 2026 fully offsetting this action. Additionally, IT costs increased by £0.4M mainly due to a change in policy relating to the capitalisation of staff costs. This was offset by £0.5M savings in facilities and depreciation mainly due to £0.2M reduced depreciation and £0.1M increased income from One Bird Cage Walk.

Non-charitable (trading) activities are summarised below.

Restricted and endowment funds performed well with combined funds of £16.5M (2024: £15.6M) permitting the award of 28 new Whitworth Scholarship Awards and 2 new Whitworth Senior Scholarship Awards.

Forward look

During 2025, divestment of non-core trading subsidiaries was concluded, and good progress is being made, with membership input, to determine the future of our HQ and to implement a strengthened high level operating model. Going forward, we will seek a progressive rebalance of funds from administrative overheads towards activities that directly support our purpose, enabling a more streamlined implementation of identified strategic priorities.

Charity reserves

Total reserves at the end of 2025 were £30.3M (2024: £33.2M). This is split: £12.5M in endowments (2024: £11.9M), £4.0M in restricted funds (2024: £3.7M), and £13.8M in unrestricted and general funds (2024: £17.6M).

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

Following the Trustees review of the free reserves policy in 2024, a minimum level of £5M reflects a threshold below which all sums are kept to protect the Institution from adverse events and a target level of £10.0M (2024: £10.0M). These targets reflects both a reduction in business risks following divestment of subsidiaries and plans are being developed to replace outdated legacy IT systems, including a full review of business processes and data flows, as well as improving the resilience of our existing systems where immediate replacement is not possible or practical. This is offset by increased risk as the HQ building continues to age and a more aggressive cyber security environment.

Free reserves at the end of 2025 were £7.7M (2024: £8.7M). This year's reduction in free reserves is primarily driven by use of funds to reduce long term risk from the defined benefit pension scheme. There was £2.1M drawn down during 2025 to pay for the pension buy-in and up to £1.3M to be drawn down at a future date on completion. The buy-in means we no longer have to hold £0.5M in free reserves to make the following years defined benefit pension contribution. Investments improved by £0.2M due to favourable market conditions. Additionally, primarily a result of the divestment of the subsidiaries trade debtors and creditors and stock were lower and there was a decrease in cash as per note 26.

Trading activities

IMechE runs its trading activities through its wholly owned subsidiary, Professional Engineering Projects Limited (PEP Ltd).

In 2025, PEP Ltd completed its rationalisation by divesting the Sonaspection Group, which achieved break-even on disposal (£38k) at Group level.

The performance of Sonaspection prior to their divestment in 2025, coupled with working capital released by the sale and a strong performance by the retained businesses, has allowed short term intracompany deficits (sums covering routine transactions with IMechE) to be cleared. In addition, the sale proceeds generated by divestment allowed a partial repayment of the long-term loan, reducing this intercompany debt from £5.1M to £3.9M.

The two remaining trading activities are IMechE Learning & Development (L&D), which delivers engineering and management training courses, and One Birdcage Walk (OBW), which provides venue hire and event support at the London HQ. Both delivered another strong year.

Entity	Revenue 2025 £M	Revenue 2024 £M	PBIT 2025 £M	PBIT 2024 £M
Learning & Development	3.22	3.00	0.41	0.31
One Birdcage Walk	1.59	1.53	0.37	0.37
PEP Group other			0.27	(0.19)
PEP Group total	**4.81**	**4.53**	**1.05**	**0.49**

Looking ahead, a review of PEP Ltd is underway to consider how best to utilise the subsidiary, including considering potential future changes to the activity mix, governance structures, the interface with the charity, and the long-term loan established in 2019 to replace £5.1M of short-term intercompany debt, this loan now stands at £3.9M.

- **Learning & Development** continued to deliver a strong performance with revenue growth of 7%. Growth came across the board with the business-to-customer (B2C) channel particularly strong. Costs were reduced, driven by planned reductions in headcount. Profit before interest and tax (PBIT) was broadly in line with expectations
- **One Birdcage Walk** revenue increased by 4% year on year with growth coming from increased food and beverage sales. This tends to have decrease growth margin but drives operating profit through commission. Reductions in overheads including planned reduction in headcount drove an increase in profit before interest and tax year on year for commercial venue hire in One Birdcage Walk.

Group balance sheet

Our listed investments increased to £20.3M (2024: £19.6M) after sales of £0.2M (2024: £0.3M), due to positive market movements.

The Stephenson LLP fund comprises early-stage investments in innovation companies made up to November 2018 as a mixed-motive investment. No further investment is planned beyond essential operating costs, and we will progressively exit this fund as opportunity allows. Over the past 10 years, a total of £2.0M has been committed to the fund with £1.5M invested. The fund managers estimate those investments to be valued at £2.5 million as at 31/12/25, delivering a Multiple of Invested Capital (MOIC) of 1.7x. The fund invested in 11 companies between 2014 and 2019, with the current valuation based on 6 of these companies. The remaining 5 companies are not expected to generate any return. This is normal for this type of investment

Intangible assets reduced by £1.2M (2024: £0.9M) to £1.0M (2024: £2.2M), with annual amortisation charges exceeding investments in the year.

Tangible fixed assets decreased by £0.5M (2024: £3.1M decrease) to £2.1M (2024: £2.6M) due primarily to the divestment of the Sonaspection group.

The pension fund had a FRS102 accounting liability of £2.0M at the end of 2025 (2024: £nil). Trustees of the pension fund and the Institution in July 2025 entered a 'buy-in' contract with PIC before expecting to move to a full buy-out in 2027.

Overall group reserves decreased to £30.3M from £33.2M in 2024. This £2.9M reduction is driven by the £3.8M reduction in unrestricted and general funds, the majority of which relates to the pension buy-in costs. The Institution continues to remain financially sound and the Trustee Board is committed to maintaining financial prudence and restoring a sustainable balanced budget.

Degree of financial dependency

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

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

Going concern

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

Summary of funds and investments

A description of all the various funds included within the Institution's accounts is provided within Note 23. These funds increase the impact of the Institution. At 31 December 2025, these totalled £20.3M (2024: £19.6M).

Investment policy and returns

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

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

The investment managers work towards the following objectives:

Reserve Fund, General Trust and James Clayton Trust

The long term target benchmark for these trusts is to achieve returns of Consumer Price Index (CPI) +4%.

Other Trusts

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

A summary of the total annual rates of return (income and capital) achieved on investments during 2025 and 2024 are as follows:

Fund	2025 %	2024 %
Reserve Fund	10.8	13.2
General Trust	10.9	13.4
James Clayton Trust	11.0	13.4
Charities Official Investment Fund income units	(1.9)	5.1
Whitworth Unrestricted	7.3	9.3
Whitworth Endowment	10.9	

The unrealised losses in the Charities Official Investment Fund reflect the investment managers quality-focused and diversified approach which is underweight in the small group of AI-related stocks driving recent market gains. Viewed over the intended 5–10-year horizon, performance of that fund remains aligned with expectations.

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

Opinion

We have audited the financial statements of The Institution of Mechanical Engineers (the 'parent charity') and its subsidiaries (the 'group') for the year ended 31 December 2025 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheet, the Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charity's affairs as at 31 December 2025, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine

whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and parent charity and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report.

We have nothing to report in respect of the following matters where the Charities (Accounts and Report) Regulations 2008 requires us to report to you if, in our opinion:

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

Responsibilities of Trustees

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

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

Auditor responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

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

- Obtaining an understanding of the legal and regulatory frameworks that the entity operates in, focusing on those laws and regulations that had a direct effect on the financial statements;
- Enquiry of management and those charged with governance to identify any instances of known or suspected instances of fraud;
- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Enquiry of management about any instances of non-compliance with laws and regulations;

- Reviewing the design and implementation of control systems in place
- Testing the operational effectiveness of the controls;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness;
- Evaluating the business rationale of significant transactions outside the normal course of business;
- Reviewing accounting estimates for bias;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- Considering the risk assessment of significant subsidiaries so that appropriate audit procedures in response to such risks are included within the audit;

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

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

Use of this report

This report is made solely to the parent charity's Trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the parent charity's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility

to anyone other than the parent charity and its Trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

MHA

MHA, Statutory Auditor
London, United Kingdom
Date: 08/05/2026

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

MHA are eligible to act as auditors in terms of section 1212 of the Companies Act 2006.

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

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

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

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

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

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

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

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

Fundraising

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

Disclosure of information to auditor

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

This annual report was approved by the Trustee Board on 5 May 2026 and was signed on its behalf by:

Matt Garside
President

Richard Judge

Dr Richard Judge
Chair, Finance Board

Consolidated statement of financial activities for the year ended 31 December 2025

Income and Endowments from:	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2025 Total £'000	2024 Total £'000
Donations and Legacies		5	10		15	13
Grants		-	293	-	293	267
Charitable activities						
Membership subscriptions		15,143	-	-	15,143	14,719
Groups, Divisions & Events		2,128	-	-	2,128	1,859
Professional development & Membership		250	-	-	250	222
Information & Library services		6	-	-	6	5
Apprentice End Point Assessment		3,478	-	-	3,478	2,699
Other trading activities						
Venue hire, Training, Exam Services, Consultancy, Flawed Samples		5,409	-	-	5,409	10,933
Marketing, advertising and merchandise		-	-	-	-	23
Investments						
Interest & Dividends	15	361	691	-	1,052	499
Other						
Other income	2	39	-	-	39	27
Rents Receivable		441	-	-	441	656
Total Income		27,260	994	-	28,254	31,922
Expenditure on:						
Raising funds						
Non-charitable trading activities		4,952	-	-	4,952	10,395
Investment management costs		25	10	-	35	16
Charitable activities						
Groups, Divisions & Events including Policy		7,873	293	-	8,166	6,864
Marketing		2,685	-	-	2,685	2,926
Business Development		2,292	-	-	2,292	2,462
Apprentice End Point Assessment		3,892	-	-	3,892	2,906
Professional development		1,132	-	-	1,132	1,239
Information & Library Services		1,137	-	-	1,137	1,034
Membership Subscriptions		3,679	-	-	3,679	3,437
Tenants & Public Facilities		518	-	-	518	637
Prizes, Awards and Scholarships		-	519	-	519	711
Total Expenditure	3	28,185	822	-	29,007	32,627
Operating Surplus/Deficit		(925)	172	-	(753)	(705)
Net Gains /(losses) on investment assets	14 & 15	311	174	523	1,008	985
Gain /(loss) on sale of subsidiary		38	-	-	38	(560)
Gain /(loss) on revaluation of investment property	13	-	-	-	-	(1,329)
Net income/(expenditure)		(576)	346	523	293	(1,609)
Transfer between funds		-	-	-	-	-
Net income/(expenditure) after transfers		(576)	346	523	293	(1,609)
Non-charitable trading activities - corporation taxation		(111)	-	-	(111)	(139)
Other recognised gains / (losses)						
Actuarial (losses)/gains on defined benefit pension scheme	10	(1,013)	-	-	(1,013)	390
Other comprehensive income						
Pension contributions on buy-in		(2,100)	-	-	(2,100)	-
Net movement in funds		**(3,800)**	**346**	**523**	**(2,931)**	**(1,358)**
Reconciliation of funds						
Total funds brought forward, as previously stated	23	17,604	3,658	11,944	33,206	34,564
Total funds carried forward	**23**	**13,804**	**4,004**	**12,467**	**30,275**	**33,206**

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

Statement of Financial Activities (Continued)

Comparative information	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2024 Total £'000
Total income	31,179	743	-	31,922
Total expenditure	(31,639)	(988)	-	(32,627)
Net investment gains	41	159	785	985
Gain /(loss) on sale of subsidiary	(560)	-	-	(560)
Gain /(loss) on revaluation of investment property	(1,329)	-	-	(1,329)
Transfers between funds	-	28	(28)	-
Non-charitable trading activities - corporation taxation	(139)	-	-	(139)
Actuarial losses on defined benefit pension scheme	390	-	-	390
Net movement in funds	**(2,057)**	**(58)**	**757**	**(1,358)**

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

All the Group's financial activities in this and the prior year were continuing with the exception of the trading activities of IMechE Fife NDT Ltd which was divested in 2024, Sonaspection International Ltd, Sonaspetion Incorporation and Sonaspection Worldwide Limited in February 2025.

Consolidated Balance sheets as at 31st December 2025

	Notes	Group 2025 £'000	Group 2024 £'000	Institution 2025 £'000	Institution 2024 £'000
Fixed assets					
Intangible assets	11	1,005	2,218	972	2,176
Tangible assets	12	2,102	2,617	2,100	2,319
Investment property	13	1,150	1,150	1,150	1,150
Investments: listed	15	20,317	19,597	12,789	12,567
Investments: social	14	2,496	2,377	2,496	2,377
Total fixed assets		27,070	27,959	19,507	20,589
Current assets					
Stocks	16	6	213	6	6
Debtors	17	2,472	3,387	5,842	7,818
Cash at bank and in hand		9,771	10,094	8,592	8,306
Total current assets		12,249	13,694	14,440	16,130
Liabilities:					
Creditors: amounts falling due within one year	18	7,093	8,437	6,028	6,953
Net current assets or liabilities		5,156	5,257	8,412	9,177
Total assets less current liabilities		32,226	33,216	27,919	29,766
Creditors: amounts falling due after one year	19	-	11	-	-
Net assets excluding pension liability		32,226	33,206	27,919	29,766
Defined benefit pension scheme liability	10	1,951	-	1,951	-
Total net assets	22	30,275	33,206	25,968	29,766
The funds of the charity					
Endowment funds		12,467	11,944	7,712	7,508
Restricted funds		4,004	3,658	1,093	855
Unrestricted & General funds		13,804	17,604	17,163	21,403
Total funds	23	30,275	33,206	25,968	29,766

The consolidated statement of financial activities is for the Group as a whole. The Charity's total income for the year was £23,105k (2024: £21,515k). The Charity's total funds decreased by £2,647k in the year (2024: £723k decrease).

The financial statements were approved by the Trustee Board on 5 May 2026 and were signed on its behalf by:

Matt Garside, President

Dr Richard Judge, Chair, Finance Board

The notes to the accounts numbered 1 to 29 form part of these accounts. Charity registration Number: 206882

Consolidated Cashflow Statement for the Year Ended 31 December 2025

	Notes	2025 £'000	2024 £'000
Cash flows from operating activities:			
Net cash provided by / (used in) operating activities	26	(3,126)	793
Cash flows from investing activities:			
Dividends from investments	15	1,048	374
Interest from investments	15	4	125
Rent from investments		145	-
Proceeds from sale of property, plant and equipment		57	210
Proceeds from sale of subsidiary		1,478	-
Proceeds from sale of investments	15	216	296
Purchase of social investments	14	(38)	(13)
Purchase of property, plant and equipment	12	(6)	(85)
Purchase of intangible assets	11	(80)	(549)
Net cash provided by/(used in) investing activities		2,824	358
Cash flows from financing activities			
Bank loan repayments		(21)	(42)
Net cash flows provided by financing activities		(21)	(42)
Change in cash and cash equivalents in the reporting period		(323)	1,109
Cash and cash equivalents at the beginning of the reporting period		10,094	8,985
Cash and cash equivalents at the end of the reporting period		9,771	10,094

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

Analysis of changes in net debt

	01.01.2025 £'000	Cashflows £'000	31.12.2025 £'000
Cash and cash equivalents			
Cash awaiting investment	-	-	-
Cash at bank and in hand	10,094	(323)	9,771
	10,094	(323)	9,771
Borrowings			
Debt due within one year	(10)	10	-
Debt due after one year	(11)	11	-
	(21)	21	-
Total	**10,073**	**(302)**	**9,771**

IMechE notes to the accounts

1 Accounting Policies

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

a) Basis of preparation

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

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) revised October 2019 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

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

b) going concern

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

Working capital requirements are met through a combination of income received from the Institution's activities, including commercial activities undertaken in the Institution's trading subsidiaries. The Institution has the ability to drawdown against funds held within the Institution's unrestricted investment portfolio if required. The Institution does not have any debt facilities. A £0.02M COVID-19 bounce back loans within a trading subsidiary was repaid in 2025.

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 financial statements have been prepared on a going concern basis. The Trustees have a reasonable expectation that there is adequate resources to continue in operational existence for the foreseeable future. Based on budgets and forecasts prepared, we believe that there are no material uncertainties that call into doubt the Charity's ability to continue as a going concern.

c) Basis of consolidation

Consolidated figures for the Institution and group companies (see note 2 to the accounts) have been included in these financial statements for the year ended 31 December 2025. Companies acquired by the group are consolidated on an acquisition basis i.e. fair values are attributed to the Group's share of the net tangible assets and where the cost of acquisition (being the fair value of the purchase consideration and the expenses of the acquisition) is greater than the fair values attributable to such net assets, the difference is treated as goodwill. The assets and liabilities of the subsidiaries have been included with those of the Charity on a line-by-line basis.

d) Income

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

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

Legacies and donations are recognised when all the criteria have been met; entitlement when the Institution has been notified of distribution or legacy is received, the value is reliably measured and the likelihood of receiving the legacy is probable.

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

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

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

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

Interest and dividends are recognised when receivable.

e) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

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

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

Freehold land is not depreciated.

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

f) Goodwill

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

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

g) Website and digital transformation costs

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

h) Impairment of tangible and intangible assets

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

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

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

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

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

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

i) Financial assets

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

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

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

j) Financial liabilities

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

k) Investments

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

Mixed motive investment

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

Investments in subsidiaries

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

l) Foreign currency

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

m) Expenditure

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

n) Stocks

Stocks comprise goods held for resale in the Institution's merchandise store. They are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method and comprises the purchase price of the goods.

o) Staff costs and termination benefits

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

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

p) Retirement benefit

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

The Plan is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the Institution must agree with the Trustees of the Scheme the contributions to be paid to meet the Statutory Funding Objective. It also operates a defined contribution scheme open to existing staff. Defined benefit pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability.

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

Under FRS 102 Section 28, the defined benefit scheme is recognised on a net basis and any changes arising from a buy-in transaction (including pricing differences and funding impacts) are reflected through the 'Other recognised gains/(losses) as part of the actuarial movement.

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

q) Operating leases

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

r) Grant commitments

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

s) Prior period errors

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

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

t) Critical accounting estimates and judgements

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

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

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

Intangible fixed assets

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

Unlisted investments

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

Actuarial assumptions in respect of defined benefit pension schemes

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

Bad debt provision

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

s) Reserves

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

t) Taxation

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

u) Heritage assets

Heritage assets comprise:

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

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

2 Net Incoming/(Outgoing) Resources

The consolidated results for the Institution are presented in the statement of financial activities. These include the activity of the parent charity, The Institution of Mechanical Engineers, and the activities of its 100% owned subsidiaries, as detailed below. The incoming resources of the Institution alone for 2025 were £23,105k (2024: 21,515k), and resources expended in 2025 were £25,752k (2024: £22,726k).

Other income	2025 £'000	2024 £'000
Administration fee for Whitworth Scholarship Fund	-	12
Interest from Argyll Ruane buy-out	39	15
Total Other income	39	27

Subsidiary Companies

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

During the year the Institution completed the simplification of its group structure:

IMechE Services Limited (Reg No 01361114) and Siantonas Ball Limited (Reg No 01655732) were dissolved in March 2025, following strike-off applications accepted by Companies House on 24 December 2024. Sonaspection Worldwide Limited (Reg No 04891363), Sonaspection International Limited (Reg No 02050101), and its wholly owned subsidiary Sonaspection Inc (registered in the United States of America) were sold on 28 February 2025.

As a result, at 31 December 2025 the Institution has only one remaining subsidiary, Professional Engineering Projects Limited.

The results of the dissolved and sold subsidiaries up to their respective dates of dissolution or sale have been consolidated on a line-by-line basis in these financial statements. The relevant amounts are included within “Other non-charitable trading activities” under Incoming Resources and Resources Expended in the Consolidated Statement of Financial Activities.

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

The Whitworth Scholarships Fund (Charity Reg N 313756) was established in 1868 under a deed of covenant and trust between Sir Joseph Whitworth and the then President of the Committee of Council on Education. The Fund is now governed under the terms of a Scheme made by the Charity Commissioners for England and Wales dated 11 December 2001, with the Institution of Mechanical Engineers as the controlling entity.

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

2025

Subsidiary Companies	PEP Ltd £'000	Sona Int'l £'000	Sona Inc £'000
Turnover	4,821	265	329
Cost of sales	(2,285)	(148)	(191)
Gross profit	**2,536**	**117**	**138**
Distribution costs	-	(8)	-
Administration costs	(1,792)	(149)	(150)
Other income	39	-	-
Operating profit/(loss)	**783**	**(40)**	**(12)**
Gain on sale of disposal	196	-	-
Dividends receivable	75	-	-
Transfer of net assets on sale of disposal	-	(738)	(172)
Profit/(loss) before interest and tax	**1,054**	**(778)**	**(184)**
Interest payable and similar expenses	(289)	-	-
Taxation	(111)	-	-
Dividends payable	-	-	-
Profit/(loss) for the year	**654**	**(778)**	**(184)**
Total assets	1,917	-	-
Total liabilities	(5,276)	-	-
Total funds	(3,359)	-	-

* Sona Int'l and Sona Inc represent the 2 months of activities within the IMechE Group and that as at 28 February 2025 the company was sold.

2024

Subsidiary Companies	PEP Ltd £'000	Sona Int'l £'000	Sona Inc £'000	IMechE Services £'000	IMechE Fife NDT £'000
Turnover	4,535	2,814	1,348	-	2,352
Cost of sales	(2,080)	(1,479)	(813)	-	(1,185)
Gross profit	**2,455**	**1,335**	**535**	**-**	**1,167**
Distribution costs	-	(94)	-	-	-
Administration costs	(1,893)	(905)	(449)	-	(997)
Other income	15	-	-	-	-
Operating profit/(loss)	**577**	**336**	**86**	**-**	**170**
Net proceeds on disposal of subsidiary	(30)				
Write down of Investment in subsidiaries	(280)	-	-	-	-
Dividends receivable	222	-	-	-	-
Transfer of net assets on Management Buy Out	-	-	-	-	(620)
Profit/(loss) before interest and tax	**489**	**336**	**86**	**-**	**(450)**
Interest payable and similar expenses	(450)	(1)	-	-	-
Taxation	(54)	(85)	-	-	-
Dividends payable	-	-	-	-	-
Profit/(loss) for the year	**(15)**	**250**	**86**	**-**	**(450)**
Total assets	3,011	2,707	374	-	-
Total liabilities	(7,026)	(440)	(538)	-	-
Total funds	(4,015)	2,267	(164)	-	-

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

3 Expenditure

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

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

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

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

Total grants paid in the year to individuals undertaking undergraduate and postgraduates courses at various Universities was £358k. Grants paid to the Institutions were £293k, to support the project "Formula Student - Artificial Intelligence" in the construction of Autonomous Vehicle. See website for details.
https://www.imeche.org/events/formula-student/team-information/fs-ai

2025

Total Resources Expended	Direct Costs £'000	Allocated Support Costs £'000	Total £'000
Raising Funds			
Non Charitable activities	4,350	602	4,952
Investment Management Costs	35	-	35
Total Raising Funds	4,385	602	4,987
Charitable Activities			
Groups, Divisions & Events	4,668	3,498	8,166
Marketing	768	1,917	2,685
Business Development	1,050	1,242	2,292
Apprentice End Point Assessment	3,295	597	3,892
Professional Development	455	677	1,132
Information & Library Services	563	574	1,137
Membership Subscriptions	1,197	2,482	3,679
Tenants and Public Facilities	-	518	518
Prizes, Awards & Scholarships	519	-	519
Total Charitable Activities	12,515	11,505	24,020
Total resources expended	**16,900**	**12,107**	**29,007**

2024

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

*Groups, Divisions & Events support costs includes Policy and Outreach in 2024.

2025

Allocated Support Costs	Governance & Management	Finance	Information Technology	Facilities & Depreciation	Defined Benefit Pension Scheme	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Raising Funds						
Non-charitable activities	91	54	313	144	-	**602**
Total Raising Funds	91	54	313	144	-	**602**
Charitable Activities						
Groups, Divisions and Events	1,550	359	561	614	414	**3,498**
Marketing	850	197	308	336	226	**1,917**
Business Development	551	127	199	218	147	**1,242**
Apprentice End Point Assessment	300	69	109	119	-	**597**
Professional Development	300	69	109	119	80	**677**
Information and Library Services	250	58	90	109	67	**574**
Membership Subscriptions	1,100	255	398	435	294	**2,482**
Tenants and Public Facilities	-	-	-	518	-	**518**
Total Charitable Activities	4,901	1,134	1,774	2,468	1,228	**11,505**
Total resources expended	**4,992**	**1,188**	**2,087**	**2,612**	**1,228**	**12,107**

2024

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

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

The support costs disclosed above include employer contributions and current/ historic service costs relating to the defined benefit pension scheme, recognised in accordance with FRS 102. Consistent with the Charities SORP (FRS 102) requirements on the allocation of support costs, these amounts have been allocated across the relevant activities and are therefore not included within the staff costs note.

4 Taxation

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

The Charity's trading subsidiaries are subject to corporation tax.

5 Transactions With Members of the Trustee Board

	2025 £'000	2024 £'000
Travel and subsistence expenses	24	26

	No.	No.
Number of members reimbursed	10	7

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

No Trustees, nor any person connected with them, have been paid any remuneration or received any other benefits from the Institution.

6 Indemnity Insurance

	2025 £'000	2024 £'000
Indemnity insurance premiums paid	11	11

During 2025 the Institution paid for two insurance policies, covering professional indemnity and the liabilities of Trustees and 'directors and officers'. Cover applies to the Trustee Board, ordinary members involved with Institution affairs and employees.

7 Staff Employed

Average numbers of staff employed throughout the year:	2025 No.	2024 No.
The Institution of Mechanical Engineers	153	154
Professional Engineering Projects Limited	19	38
Sonaspection International Ltd	18	19
Sonaspection Incorporated	7	8
IMechE Fife NDT Ltd	-	3
Total employees	**197**	**222**

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

8 Employment costs

	2025 £'000	2024 £'000
Salaries and benefits	9,537	11,195
Employer's social security costs	1,116	1,109
Employer's pension costs	487	567
Total employment costs	**11,140**	**12,871**

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

	2025 No.	2024 No.
£60,001 - £70,000	20	19
£70,001 - £80,000	5	9
£80,001 - £90,000	5	5
£90,001 - £100,000	5	5
£100,001 - £110,000	3	-
£110,001 - £120,000	1	1
£120,001 - £130,000	-	3
£130,001 - £140,000	1	2
£180,001 - £190,000	-	-
£190,001 - £200,000	1	1
£250,001 - £260,000	-	1
£320,001 - £330,000	1	-
Total	**42**	**46**

40 (2024: 42) of the above employees are members of the defined contribution scheme and none are active members of the defined benefit scheme. The Institution contributed £221,687 as employer pension contributions (2024: £230,868) for these members into the defined contribution scheme.

During the year key management received remunerations and benefits of £1,196,817 (2024: £1,403,844). The remuneration of key management consists of salary, employers' national insurance contributions, pension contributions and benefits in kind.

The charity designated Directors as key management personnel. Number of Directors in 2025:7 (2024: 6) 7 (2024: 6) Highest paid director - 2025: Dr Alice Bunn (2024: Sean Fox)

	2025 £'000	2024 £'000
Salary	319	254
Benefits	2	2
Total	**321**	**256**

Wages and salaries include termination and redundancy payments totalling £670,871, made up of contractual payments of £522,289 (2024: £141,874) and non-contractual payments of £148,582 (2024: £64,372). These payments were made to 16 employees (2024: 6 employees).

The non-contractual payments for 2025 were ex-gratia payments of £148,582 (2024: £64,372) and other benefits of £nil (2024: £12,511) made to 16 employees (2024: 6 employees) under the authority of the Trustees as being in the best interest of the Charity. There were no associated liabilities at the year end.

9 Auditor's Remuneration

	2025 £'000	2024 £'000
Fees for: the audit of these financial statements	79	75
Fees for: the audit of other group companies	28	37
Total	**107**	**112**

10 Pensions

The Institution of Mechanical Engineers (the Institution) operates a defined benefit pension arrangement called the Institution of Mechanical Engineers Staff Pension & Life Assurance Scheme (the Scheme). The Scheme provides benefits based on final salary and length of service on retirement, leaving service or death. The Institution also operates a defined contribution scheme but this is not included in these disclosures.

The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the Institution must agree with the Trustees of the Scheme the contributions to be paid to meet the Statutory Funding Objective.

The most recent comprehensive actuarial valuation of the Scheme was carried out as at 31 December 2023 and the next valuation of the Scheme is due as at 31 December 2026. In the event that the valuation reveals a larger deficit than expected the Institution may be required to increase contributions above those set out in the existing Schedule of Contributions. Conversely, if the position is better than expected, it is possible that contributions may be reduced.

The Scheme is managed by a board of Trustees appointed in part by the Institution and in part from elections by members of the Scheme. The Trustees have responsibility for obtaining valuations of the fund, administering benefit payments and investing the Scheme's assets. The Trustees delegate some of these functions to their professional advisers where appropriate.

During the period an uplift was applied to the benefits of non-pensioners that accrued before 2001. The impact of this is included in the disclosures as a past service cost.

There were no curtailments or settlements during the period.

The weighted average duration of the Scheme’s liabilities is around 12 years.

Assumptions	2025 %	2024 %
Price inflation (RPI)	2.70	3.10
Price inflation (CPI)	2.20	2.60
Salary increases	3.20	3.60
Discount rate *	5.45	5.40
Pension increase (RPI max 5%)	2.65	3.00
Mortality base table	99% of S3PMA for males	99% of S3PMA for males
	97% of S3PFA for females	97% of S3PFA for females

The assumptions result in life expectancies as follows:

	31/12/25 Years	31/12/24 Years
Male aged 45	23.1	22.8
Male aged 65	21.8	21.5
Female aged 45	25.7	25.6
Female aged 65	24.3	24.2

Current asset split:	Bid values as at 31 Dec 2024 £'000
Insured assets	35,256
Cash	1,030
Loans and borrowings	(2,100)
Total assets	**34,186**

Balance sheet	2025 £'000	2024 £'000
Fair value of plan assets	34,186	39,643
Present value of funded obligations	(36,137)	(36,656)
Surplus/(deficit) in scheme	**(1,951)**	**2,987**
Effect of asset ceiling	-	(2,987)
Net defined benefit asset/(liability)	**(1,951)**	-

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

Amount recognised in SOFA	2025 £'000	2024 £'000
Current service cost unaccrued	127	-
Administration costs	(1,296)	(882)
Interest on liabilities	(1,926)	(1,765)
Interest on assets	2,064	1,860
Past service costs	(36)	-
Interest on effect of asset ceiling	(161)	(103)
Total (charge)/gain to SOFA	**(1,228)**	**(890)**

Remeasurements over the period	2024 £'000	2024 £'000
Gains/(losses) on assets in excess of interest	(4,633)	(2,378)
Experience gains/(losses) on liabilities	(207)	(303)
Gains/(losses) from changes to demographic assumptions	(283)	(32)
Gains/(losses) from changes to financial assumptions	962	3,689
Gains/(losses) from change in effect of asset ceiling	3,148	(586)
Total remeasurements	**(1,013)**	**390**

Change in the value of assets	2024 £'000	2024 £'000
Fair value of assets at start of period	**39,643**	**42,481**
Interest on assets	2,064	1,860
Company contributions	417	500
Benefits paid (including expenses)	(2,009)	(1,938)
Administration costs	(1,296)	(882)
Return on assets less interest	(4,633)	(2,378)
Fair value of assets at end of period	**34,186**	**39,643**
Actual return on assets	**(2,569)**	**(518)**

Change in value of the Defined Benefit liabilities	2025 £'000	2024 £'000
Value of liabilities at start of period	**(36,656)**	**(40,183)**
Current service cost	-	-
Past service costs	(36)	-
Interest on liabilities	(1,926)	(1,765)
Benefits paid (including expenses)	2,009	1,938
Experience gain/(loss) on liabilities	(207)	(303)
Changes to demographic assumptions	(283)	(32)
Changes to financial assumptions	962	3,689
Value of liabilities at end of period	**(36,137)**	**(36,656)**

Reconciliation of effect of asset ceiling	2025 £'000	2024 £'000
Effect of asset ceiling at start of period	**(2,987)**	**(2,298)**
Interest on effect of asset ceiling	(161)	(103)
Actuarial gains/(losses) on effect of asset ceiling	3,148	(586)
Effect of asset ceiling at end of period	**-**	**(2,987)**

Sensitivity of the value placed on the liabilities	Approximate effect on liability £'000
Discount rate -0.5% p.a.	+ 1,760
Inflation +0.5% p.a.	+ 990
Long term rate of mortality improvement increased to 1.5% p.a.	+ 200

Projected SOFA charge for next period as at 31 Dec 2026	2026 £'000
Administration costs	(435)
Interest on liabilities	(1,915)
Interest on assets	1,797
Total charge to SOFA	**(553)**

The Institution expects to pay no contributions to the defined benefit pension scheme in the year to 31 December 2026 following the buy-in in July 2025.

In July 2024 the Court of Appeal upheld a June 2023 High Court ruling that may have consequences for defined benefit pension schemes. The case, brought by the trustees of the NTL Pension Scheme against Virgin Media Ltd, considered the implications of section 37 (s37) of the Pension Schemes Act 1993, which required an actuary to certify amendments to scheme benefits for contracted-out schemes. Under section 9(2B) of the Act, schemes that were contracted out of the additional state pension were required to provide benefits at least equivalent to a minimum level laid out in a hypothetical “reference scheme”. This was known as the reference scheme test. When amendments were subsequently made, s37 of the Act required scheme actuaries to certify that the scheme still met this standard.

According to the court’s decision, any amendments to scheme benefits that affect members’ section 9(2B) rights during the relevant period will be void unless confirmation from the scheme actuary was obtained, in writing, when the amendment was made. However, the DWP announced on 5 June 2025 that the Government will be introducing legislation to give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards.

The Fund was contracted out between April 1997 and April 2016, and therefore the ruling may affect the Fund. However, the June 2025 DWP announcement means it is unlikely that the ruling will lead to any need to restate the Defined Benefit Obligation in the future.

11 Fixed Assets - Intangible Assets

Group	Website and DT costs £'000	Total £'000
Cost		
At 1 January 2025	7,396	7,396
Additions	80	80
Disposals, movements	(124)	(124)
At 31 December 2025	7,352	7,352
Depreciation		
At 1 January 2025	5,178	5,178
Amortisation charged	1,225	1,225
Disposals, movements	(56)	(56)
At 31 December 2025	6,347	6,347
Net Book Value		
At 31 December 2025	1,005	1,005
At 31 December 2024	2,218	2,218

Institution	Website and DT costs £'000	Total £'000
Cost		
At 1 January 2025	7,325	7,325
Additions	73	73
Disposals, movements	(117)	(117)
At 31 December 2025	7,281	7,281
Depreciation		
At 1 January 2025	5,149	5,149
Amortisation charged	1,209	1,209
Disposals, movements	(49)	(49)
At 31 December 2025	6,309	6,309
Net Book Value		
At 31 December 2025	972	972
At 31 December 2024	2,176	2,176

Website and digital modernisation programme, platform costs

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

12 Fixed Assets - Tangible Assets

Group	Land and Property £'000	Furniture and Equipment £'000	Total £'000
Cost			
At 1 January 2025	7,318	1,825	9,143
Additions	-	6	6
Disposals, movements	(457)	(300)	(757)
At 31 December 2025	6,861	1,531	8,392
Depreciation			
At 1 January 2025	5,041	1,485	6,526
Disposals, movements	(236)	(243)	(479)
Amount charged	112	131	243
At 31 December 2025	4,917	1,373	6,290
Net Book Value			
At 31 December 2025	1,944	158	2,102
At 31 December 2024	2,277	340	2,617

Institution	Land and Property £'000	Furniture & Equipment £'000	Total £'000
Cost			
At 1 January 2025	6,861	1,500	8,361
Additions	-	6	6
At 31 December 2025	6,861	1,506	8,367
Depreciation			
At 1 January 2025	4,813	1,229	6,042
Amount charged	104	121	225
At 31 December 2025	4,917	1,350	6,267
Net Book Value			
At 31 December 2025	1,944	156	2,100
At 31 December 2024	2,048	271	2,319

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

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

Heritage assets

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

The collection is broadly split into the following categories:

Printed works

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

Archives

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

Works of art and artefacts

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

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

There have been nil donations made in 2025 (2024: nil) No further additions or disposals of heritage assets were made in the last three years.

13 Fixed Assets - Investment Property

	Investment Property £'000	Total £'000
Group & Institution		
At 1 January 2025	1,150	1,150
At 31 December 2025	**1,150**	**1,150**

There were no movements in the Institution's investment property at Europa View, Sheffield during the year.

14 Investments - Mixed Motive

Group and Institution Analysis of Investments - UK	2025 Cost £'000	2025 Market Value £'000	2024 Cost £'000	2024 Market Value £'000
Stephenson LP	1,966	2,496	1,928	2,377
	1,966	**2,496**	**1,928**	**2,377**

Movement of Investments	2025 £'000	2024 £'000
Market value at 1 January	2,377	2,602
Acquisitions	38	13
Net investment (loss)/gain	81	(238)
Market value at 31 December	2,496	2,377
Unrealised investment gain at 31 December	**520**	**439**

15 Fixed Assets - Investments

Group Analysis of Investments - UK	2025 Cost £'000	2025 Market Value £'000	2024 Cost £'000	2024 Market Value £'000
Charities Official Inv. Fund Income Units	1,066	3,160	1,066	3,456
Cash	-	68	-	59
Property - let on 999 year lease	9	9	9	9
	1,075	3,237	1,075	3,524
Multi-Asset Funds - listed investments	14,335	17,080	14,418	16,073
Total Investments	**15,410**	**20,317**	**15,493**	**19,597**

Analysis of Funds and Ranges	2025		2024	
	Cost	Market Value	Cost	Market Value
	£'000	£'000	£'000	£'000
Reserve Fund - Unrestricted				
Free range	2,988	3,650	2,981	3,423
	2,988	3,650	2,981	3,423
Whitworth Scholarships Fund				
Restricted	2,610	2,988	2,435	2,598
Endowment	4,005	4,540	4,182	4,432
	6,615	7,528	6,617	7,030
General Trust				
Wider range	3,289	4,180	3,365	4,002
	3,289	4,180	3,365	4,002
James Clayton				
Wider range	1,443	1,790	1,455	1,677
Special - property	9	9	9	9
	1,452	1,799	1,464	1,686
Education & Research				
Charities Official Inv. Fund Income Units	829	2,417	829	2,661
Sundry Small Trusts				
Charities Official Inv. Fund Income Units	237	743	237	795
	15,410	**20,317**	**15,493**	**19,597**

The above figures include investments held by the Group. The Institution's own investments (exclude the investments held by the Whitworth Scholarships Fund) amount to £12,789k (2024: £12,567k).

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

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

Movement of investments	2025 £'000	2024 £'000
Market value at 1 January	19,538	18,641
Sales proceeds	(216)	(296)
Net investment gain / (loss)	927	1,193
Market value (excluding cash) at 31 December	20,249	19,538
Cash awaiting investment	68	59
Total market value at 31 December	20,317	19,597
Historic cost at 31 December	(15,410)	(15,493)
Unrealised investment gain at 31 December	**4,907**	**4,104**

Interest & Dividends	2025 £'000	2024 £'000
Dividends receivable from unit trusts	1,048	374
Bank interest - general funds	4	125
	1,052	**499**

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

16 Stocks

	Group		Institution	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Work in progress	-	108	-	-
Finished goods and goods for resale	6	105	6	6
	6	**213**	**6**	**6**

17 Debtors

	Group		Institution	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Amounts due within 1 year:				
Trade debtors	684	1,676	300	503
Other debtors incl VAT, other taxes	376	458	244	313
Prepayments and accrued income	1,120	899	1,045	761
Amounts due from group companies	-	-	360	1,120
	2,180	**3,033**	**1,949**	**2,697**
Amounts due after more than 1 Year				
Other debtors incl VAT, other taxes	292	354	-	-
Loans due from group companies	-	-	3,893	5,121
	2,472	**3,387**	**5,842**	**7,818**

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.

18 Creditors - Amounts falling due within one year

	Group		Institution	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Trade creditors	697	1,472	516	947
Other creditors	161	177	148	169
Accruals	1,122	1,260	839	899
Grants payable	8	47	-	-
Bank loan	-	10	-	-
Taxation and social security	(105)	642	(214)	437
	1,883	3,608	1,289	2,452
Deferred income	5,210	4,829	4,739	4,501
Total creditors	7,093	8,437	6,028	6,953

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

Reconciliation of deferred income:	Group		Institution	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Balance at 1 January	4,829	5,341	4,501	4,694
Amount released to income	(5,384)	(5,253)	(4,606)	(4,606)
Amount deferred in the year	5,765	4,741	4,844	4,413
Balance at 31 December	**5,210**	**4,829**	**4,739**	**4,501**

19 Creditors - Amounts falling due greater than one year

	Group		Institution	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Loan / Bank loan - UK Bounce Back	-	11	-	-

The bank loans were issued under the COVID-19 'Bounce-back' scheme in January 2021 to two IMechE's subsidiaries, Professional Engineering Projects Limited and Sonaspection International Limited. No interest charges or repayments were due for the first 12 months. The loans bears interest at 2.5% and was repayable over a five-year period. The Sonaspection International Ltd loan has been fully repaid in 2024, and the Professional Engineering Projects Ltd loan has been fully repaid in 2025.

In 2025, the Charity gave the pension trustees loan to aid the DB pension buy out, as per the agreement £1.3m of the loan amount is payable in 2027.

20 Operating lease commitment

In February 2025, Sonaspection International Limited left the IMechE Group. Following the company's divestment, the Group is no longer committed to the operating lease on the property at Westgate, Lancashire.

As at the year end, the Group had no future minimum lease payments under non-cancellable operating leases.

	2025 £'000	2024 £'000
Within one year	-	86
Between one and five years	-	268
Over five years	-	-
	-	**354**

21 Grant commitments

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

	Group		Institution	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Scholarship commitments due within one year	311	415	56	62
Scholarship commitments due after one year	314	809	65	121
Total scholarship commitments	**625**	**1,224**	**121**	**183**

22 Analysis of Group Net Assets Between Funds

Group **Fund balances at 31 December 2025 are represented by:**	**Unrestricted** **£'000**	**Endowment** **£'000**	**Restricted** **£'000**	**2025** **Total** **£'000**
Intangible fixed assets	1,005	-	-	1,005
Tangible fixed assets	2,102	-	-	2,102
Investment property	1,150	-	-	1,150
Investments: listed	3,650	12,467	4,200	20,317
Investments: social	2,496	-	-	2,496
Current assets and liabilities	5,352	-	(196)	5,156
Non-current liabilities	(1,951)	-	-	(1,951)
Total	**13,804**	**12,467**	**4,004**	**30,275**

Group **Fund balances at 31 December 2024 are represented by:**	**Unrestricted** **£'000**	**Endowment** **£'000**	**Restricted** **£'000**	**2024** **Total** **£'000**
Intangible fixed assets	2,218	-	-	2,218
Tangible fixed assets	2,617	-	-	2,617
Investment property	1,150	-	-	1,150
Investments: listed	3,423	12,721	3,453	19,597
Investments: social	2,377	-	-	2,377
Current assets and liabilities	5,830	(777)	205	5,258
Non-current liabilities	(11)	-	-	(11)
Total	**17,604**	**11,944**	**3,658**	**33,206**

Institution **Fund balances at 31 December 2025 are represented by:**	**Unrestricted** **£'000**	**Endowment** **£'000**	**Restricted** **£'000**	**2025** **Total** **£'000**
Intangible fixed assets	972	-	-	972
Tangible fixed assets	2,100	-	-	2,100
Investment property	1,150	-	-	1,150
Investments: listed	3,650	7,712	1,427	12,789
Investments: social	2,496	-	-	2,496
Current assets and liabilities	8,746	-	(334)	8,412
Non-current liabilities	(1,951)	-	-	(1,951)
Total	**17,163**	**7,712**	**1,093**	**25,968**

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

23 Capital and Income Funds – Analysis

Group	Balance 01.01.2025 £'000	Incoming Resources £'000	Resources Expended £'000	Gains & (Losses) £'000	Corporation tax £'000	Balance 31.12.2025 £'000
Unrestricted Funds						
Institution, Reserve Fund & PEP Ltd	17,604	27,260	(28,185)	(2,764)	(111)	13,804
Total Unrestricted Funds	17,604	27,260	(28,185)	(2,764)	(111)	13,804
Restricted Funds						
Whitworth Scholarships Fund	2,802	280	(342)	165	-	2,905
General Trust (includes legacy)	(0)	158	(138)	9	-	29
James Clayton Trust	169	67	(13)	1	-	224
Trust for Education & Research	371	145	(30)	(1)	-	485
Clive Hickman Fund	30	10	-	-	-	40
Sundry small trusts	286	43	(8)	-	-	321
Centre of Connected and Autonomous Vehicles Grants	-	293	(293)	-	-	-
Restricted Funds	3,658	996	(824)	174	-	4,004
Expendable Endowment Funds						
Whitworth Scholarships Fund	4,436	-	-	319	-	4,755
General Trust	2,896	-	-	256	-	3,152
Total Expendable Endowment Funds	7,332	-	-	575	-	7,907
Permanent Endowment Funds						
James Clayton Trust	1,618	-	-	115	-	1,733
Trust for Education & Research	2,394	-	-	(129)	-	2,265
Sundry small trusts	600	-	-	(38)	-	562
Total Permanent Endowment Funds	4,612	-	-	(52)	-	4,560
Total Funds	**33,206**	**28,256**	**(29,009)**	**(2,067)**	**(111)**	**30,275**

Institution	Balance 01.01.2025 £'000	Incoming Resources £'000	Resources Expended £'000	Gains & (Losses) £'000	Corporation tax £'000	Balance 31.12.2025 £'000
Unrestricted Funds						
Institution, Reserve Fund	21,403	22,389	(23,827)	(2,802)	-	17,163
Total Unrestricted Funds	21,403	22,389	(23,827)	(2,802)	-	17,163
Restricted Funds						
General Trust (includes legacy)	-	158	(138)	9	-	29
James Clayton Trust	169	67	(13)	1	-	224
Trust for Education & Research	371	145	(30)	(1)	-	485
Clive Hickman Fund	30	10	(5)	-	-	35
Sundry small trusts	285	43	(8)	-	-	320
Centre of Connected and Autonomous Vehicles Grants	-	293	(293)	-	-	-
Total Restricted Funds	855	716	(487)	9	-	1,093
Expendable Endowment Funds						
General Trust	2,896	-	-	256	-	3,152
Total Expendable Endowment Funds	2,896	-	-	256	-	3,152
Permanent Endowment Funds						
James Clayton Trust	1,618	-	-	115	-	1,733
Trust for Education & Research	2,394	-	-	(129)	-	2,265
Sundry small trusts	600	-	-	(38)	-	562
Total Permanent Endowment Funds	4,612	-	-	(52)	-	4,560
Total Funds	**29,766**	**23,105**	**(24,314)**	**(2,589)**	**-**	**25,968**

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

General Trust

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

James Clayton Trust Fund

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

Trust for Education and Research

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

Bruce Ball National Certificate Prize Fund

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

C C Pounder National Certificate Prize Fund

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

Tribology Award Fund

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

James Watt International Medal Fund

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

Spencer Wilks Trust

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

Research and Development Trust Fund

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

Clive Hickman Fund

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

Grants

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

24 Trust & Prize Fund Individual Accounts

General Trust

Benefactors Comprise

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

Trust For Education And Research

Benefactors and Predecessor Trusts Comprise

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

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

25 Related Party Transactions

	2025 £'000	2024 £'000
Amounts due from Professional Engineering Projects Limited	359	1,027
Amounts due from Sonaspection International Limited	-	122
Amounts due from Sonaspection Incorporated	-	29
Loan due from Professional Engineering Projects Limited	3,893	5,121

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

	2025	2024
Professional Engineering Projects Limited	£'000	£'000
Amounts due from Sonaspection International Limited	-	28
Amounts due from Sonaspection Incorporated	-	28

Dr Clive Hickman, appointed as Trustee on 25 May 2022, is the Chairman at The Manufacturing Technology Centre Limited and its subsidiary, MTC Operations Limited. In 2025, the Institution and its subsidiaries paid the MTC Group £36,211 (2024: £121,141) for event attendance, and catering and venue hire services. The Institution and its subsidiaries charged the MTC Group Nil (2024: Nil) for event attendance, accreditation fees, and standard samples. At 31 December 2025, the balance receivable was Nil (2024: nil) and the balance payable was Nil (2024: nil). Dr Clive Hickman made a donation of £4,000 (2024: £7,500).

Neil Kelly is a Director of Sonaspection International Limited appointed on 29 June 2020, whose close related family member is the owner of Kelly Contracting. Kelly Contracting provides electrical material and labour and has been providing a service for a number of years. Kelly Contracting charged £nil during the year to 31 December 2025 (2024: £3,192). Kelly Contracting has a balance payable as at 31 December 2025 of Nil (2024: nil).

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

	2025 £'000	2024 £'000
Net (expenditure)/income for the reporting period (as per the statement of financial activities)	(3,549)	(1,748)
Adjustments for:		
(Gain)/Loss on disposal of tangible assets	221	(877)
(Gain)/Loss on disposal of intangible assets	68	185
Amortisation	1,225	1,231
Depreciation charges	243	445
Dividends and interest	(1,052)	(499)
(Increase)/decrease in debtors	915	456
Increase/(decrease) in creditors excluding loans	(1,334)	(40)
(Increase)/decrease in stocks	207	14
Revaluation loss of Sheffield building	-	1,329
W/off investment of subsidiary: Siantonas Ball Ltd	-	223
IAR/Fife intercompany balance adj	-	669
(Gain)/losses on investments	(1,008)	(985)
Net cash provided by operating activities before pension scheme costs	(4,064)	403
(Increase)/decrease in Defined benefit pension scheme costs	938	390
Net cash provided by operating activities	**(3,126)**	**793**

27 Financial Instruments

	Group		Institution	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Financial assets measured at amortised cost	10,850	11,981	9,225	8,927
Financial liabilities measured at amortised cost	1,979	2,929	1,497	2,011
Financial assets measured at fair value	22,813	21,974	15,285	14,944

28 Consolidated Statement of Financial Activities for the year ended 2024

Income and Endowments from:	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2024 Total £'000	2023 Total £'000
Donations and Legacies	-	13		13	22
Grants	-	267		267	-
Charitable activities					
Membership subscriptions	14,719	-	-	14,719	13,739
Groups, Divisions & Events	1,859	-	-	1,859	2,114
Professional development & Membership	222	-	-	222	198
Information & Library services	5	-	-	5	5
Apprentice End Point Assessment	2,699	-	-	2,699	2,805
Other trading activities					
Venue hire, Training, Exam Services, Consultancy, Flawed Samples	10,933	-	-	10,933	10,076
Marketing, advertising and merchandise	23	-	-	23	29
Investments					
Interest & Dividends	36	463		499	795
Other					
Other income	27	-	-	27	26
Rents Receivable	656	-	-	656	439
Total Income	**31,179**	**743**	**-**	**31,922**	**30,248**
Expenditure on:					
Raising funds					
Non-charitable trading activities	10,395	-	-	10,395	9,985
Investment management costs	6	10		16	15
Charitable activities					
Groups, Divisions & Events including Policy	6,597	267	-	6,864	5,569
Marketing	2,926	-	-	2,926	2,400
Business Development	2,462	-	-	2,462	2,344
Apprentice End Point Assessment	2,906	-	-	2,906	2,930
Professional development	1,239	-	-	1,239	1,071
Information & Library Services	1,034	-	-	1,034	875
Membership Subscriptions	3,437	-	-	3,437	2,888
Tenants & Public Facilities	637	-	-	637	536
Prizes, Awards and Scholarships	-	711		711	452
Total Expenditure	**31,639**	**988**	**-**	**32,627**	**29,065**
Operating Surplus/Deficit	(460)	(245)	-	(705)	1,183
Net Gains /(losses) on investment assets	41	159	785	985	234
Gain /(loss) on sale of subsidiary	(560)	-	-	(560)	-
Gain /(loss) on revaluation of investment property	(1,329)	-	-	(1,329)	
Net income/(expenditure)	(2,308)	(86)	785	(1,609)	(1,417)
Transfer between funds	-	28	(28)	-	-
Net income/(expenditure) after transfers	(2,308)	(58)	757	(1,609)	1,417
Non-charitable trading activities - corporation taxation	(139)	-	-	(139)	-
Other recognised gains / (losses)					
Actuarial gains/(losses) on defined benefit pension scheme	390	-	-	390	(307)
Net movement in funds	(2,057)	(58)	757	(1,358)	1,110
Reconciliation of funds					
Total funds brought forward	19,661	3,716	11,187	34,564	33,454
Total funds carried forward	**17,604**	**3,658**	**11,944**	**33,206**	**34,564**

29 Contingent asset

At the balance sheet date, the Institution was notified of a residuary legacy with an estimated value of £0.16m. In accordance with the Charity SORP (FRS102), the legacy has not been included in the Statement of Financial Activities or Balance Sheet as it has not met the income recognition criteria regarding reliable measurement. It is however being disclosed as a contingent asset since the reliable measurement of the value of this legacy is not entirely under the IMechE's control.

30 Financial Commitments

In July 2025, the Institution paid a loan of £2.1M to The Institution of Mechanical Engineers Staff Pension & Life Assurance Scheme. This was part of an arrangement to fund the purchase of a bulk annuity policy. The full buy-out of the scheme is expected in 2027, at the balance sheet date the trustees had committed a further £1.3M of funds in order to settle the expected final liability.