Institute of Directors
Financial Statements 2020

Institute of Directors
Annual Report and Accounts 2020

Thriving in uncertain times

Skilled directors and leaders have never been more important. The pandemic has accelerated the pace of business transformation. Meanwhile, stakeholder expectations are increasing, sustainability is rising up the agenda and regulations are growing in complexity.

The IoD offers a way forward. As the authority on entrepreneurship, business professionalism and governance, we're a source of expertise for the skills and insights that directors need to thrive in uncertain times. We represent your diverse voices and ambitions among key decision-makers. And within our community, we encourage the exchange of knowledge and good practice that enables us all to become better directors.

Better directors mean better-run businesses. Better businesses mean a better economy. And a better economy means a better world.

Institute of Directors
Annual Report and Accounts 2020

Financial review

As with many other businesses and organisations, the impact of COVID-19 and the resulting multiple lockdown periods during 2020 had a substantial impact on our income. To ensure we minimised the long-term impact of this as much as possible, we implemented a pandemic disaster recovery plan with a focus on effective cost control.

Overall results

Financially, the year ended in a loss of £2.5m. Revenue for the year was £15.2m, a drop of 44% in comparison with 2019, however, total costs reduced by £8.8m (2020: £17.8m, 2019: £26.6m).

On 31st December 2020, the Institute's accumulated funds stood at £2.5m compared with £5m a year earlier, a decrease of £2.5m, which reflects the deficit for the year.

The balance of cash and cash equivalents at the end of 2020, including those held as investments, decreased by £2.3m to £5.7m. Further details of cash movements during the year can be found in the Statement of Cash Flows.

The underlying operating position before depreciation and specific 'one-off' reorganisation costs (net of government furlough income and matched expenditure) was a surplus of £109k.

Income

Membership income

In what was a very challenging environment, membership income reduced by £1.6m to £8.0m 2020 (down 17%). The fall in income was due to a drop in overall membership numbers.

Revenue earning activities

During 2020, we had to adjust our approach to revenue earning activities due to the impact of the pandemic and associated lockdowns. As part of our agile response, we quickly changed our professional development training to virtual courses with a small, and the only, investment of the year. This move proved to be an enormous success for the organisation, providing an important continuation of development training to professionals while maintaining the level of quality.

While overall income from revenue earning activities decreased by £10m to £6.2m, professional development remained as the area with the highest sales at £4.3m.

Expenditure

As part of the organisation's rapid response to the pandemic, business restructuring and cost efficiency improvements were accelerated to mitigate the impact on income. Total expenditure of £17.8m was £8.8m lower than the prior year. It is analysed across membership, revenue earning activities, member services, operating and overhead costs and representation, as shown in Analysis of Operating Surplus by Activities.

In no particular order, the following cost control changes were processed:

- Outsourcing of finance and IT helpdesk activities
- All strategic projects and spend were put on hold and deferred to 2021/22
- Printing of magazines, letters and cards were put on hold and review of automation and digitalisation started
- Employee restructuring with a staff reduction of more than 50 FTEs
- Use of governmental scheme of Furlough and salary reductions from manager level upwards with 5% up to 20% during lockdown periods
- Continuing shift towards a decentralised model and an international franchise model with focus on being closer to members.

Employment costs

Employment costs, together with direct and indirect costs, are the biggest costs incurred by the IoD. In 2020, employment costs decreased by £2.5m (26%) to £6.8m (2019 £9.2m).

Balance sheet

Creditors

For all trade creditors, it is the Institute's policy to agree terms of payment with suppliers at the start of business and to ensure that they are paid in accordance with the agreed contractual and other legal obligations. The total creditor balances at 31 Dec 2020 showed a reduction of £1.0m vs 2019.

Debtors

Payment in time for professional development course participation and extension of monthly direct debit arrangements for membership as part of the improved credit control arrangements have supported the reduction in the outstanding debtor balances in 2020, from £3.3m to £2.1m vs last year.

Going concern

As in 2019, the Board has examined all available information, including the effects of the 2020 outbreak of COVID-19 on the Institute's operations to consider whether or not the Institute should prepare the financial statements on a going concern basis.

The Board has reviewed the latest financial information available as well as the trading and cash flow forecasts (that have been stress tested), including the assumptions that underpin these. In addition, the Board has also considered the longer-term plans of the Institute.

After reviewing the information available, the Board considers that the Institute has adequate resources to continue in operational existence and, in particular, that there are no material uncertainties casting doubt over the Institute's ability to continue operating for at least a 12-month period following the approval of this report and accounts. (Further details are provided within the accounting policies that accompany the financial statements). For this reason, the going concern basis continues to be adopted in preparing the financial statements.

Institute of Directors
Annual Report and Accounts 2020

Independent auditor’s report

Opinion

We have audited the non-statutory financial statements (‘the financial statements’) of the Institute of Directors (‘the Institute’) for the year ended 31st December 2020, which comprise the statement of income and retained earnings, balance sheet, statement of cash flows and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the Institute’s affairs as at 31st December 2020 and of its income and expenditure for the year then ended.
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Institute in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council’s Ethical Standard, and we have fulfilled our other ethical responsibilities in line 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 Board’s 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 Institute’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 Board 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 and financial statements, other than the financial statements and our auditor’s report thereon. The Board is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters

In our opinion, based on the work undertaken in the course of the audit, the information given in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

In light of knowledge and understanding of the Institute and its environment obtained in the course of the audit, we have not identified material misstatements in the annual report.

We have nothing to report in respect of the following matters in relation to which we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- Certain disclosures of directors’ remuneration are not made.
- We have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Statement of Board’s Responsibilities within the annual report, the Board is 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 Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Institute’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 Board either intends to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Institute of Directors
Statement of income and retained earnings for the year ended 31 December 2020

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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 together, 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 extent to which our procedures are capable of detecting irregularities, including fraud, is detailed here.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- The engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations.
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Institute and determined that the most significant frameworks that are directly relevant to specific assertions in the financial statements are those that relate to the Royal Charter, Companies Act 2006, the reporting framework (Financial Reporting Standard 102 (FRS 102)), and those that relate to taxation, employment, data protection (including General Data Protection Regulation) and health and safety legislation.

We assessed the susceptibility of the Institute's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- Making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud.
- Considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- Performed analytical procedures to identify any unusual or unexpected relationships
- Tested journal entries to identify unusual transactions
- Assessed whether judgements and assumptions made in determining the critical accounting estimates (set out in note 1 of the financial statements) were indicative of potential bias
- Investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- Agreeing financial statement disclosures to underlying supporting documentation
- Reading the minutes of meetings of those charged with governance
- Enquiring of management as to actual and potential litigation and claims
- Reviewing correspondence with HMRC and the Institute's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditors responsibilities. This description forms part of our auditor's report.

Use of our report

These financial statements were prepared solely for the purposes of management of the Institute's affairs, and have not been prepared under section 394 of the Companies Act 2006 and are not statutory financial statements. Our audit work has been undertaken so that we might state to the Institute's members 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 Institute and the Institute's members as a body, for our audit work, for this report, or for the opinions we have formed.

Buzzacott LLP

Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

09 June 2021

The accounts

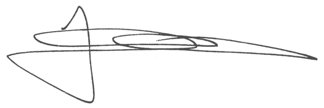
Statement of income and retained earnings

Notes		2020	2019
	Income	**£'000**	**£'000**
	Membership income	7,952	9,536
2.	Revenue earning activities	6,197	16,242
	Other trading income	552	1,402
	Furlough income	472	
	Interest receivable and similar income	54	76
		15,227	27,257
	Expenditure		
3.	Employment cost	6,285	9,238
	Employment cost – furlough	472	
2.	Direct and indirect cost	6,656	13,167
2.	Property expenditure	1,787	2,812
2.	Depreciation	1,042	1,344
	Specific costs relating to IoD fundamental re-organisation in 2020	1,577	
		17,819	26,561
2.	Surplus / (deficit) before taxation	(2,592)	696
5.	Taxation	0	0
	Surplus / (deficit) after taxation	(2,592)	696
	Other comprehensive (loss) / income		
16.	Closed defined benefit pension scheme adjustment	82	56
	Total comprehensive (loss) / income	(2,510)	752
	Reconciliation of accumulated funds		
	Accumulated funds at 1 January	4,973	4,221
	Accumulated funds at 31 December	2,463	4,973
	All operations in the year and in the comparative year were continuing.		
	The underlying operating position before depreciation and specific 'one-off' reorganisation costs (net of Government furlough income and matched expenditure) was a surplus of £109k.	109	

Balance sheet

Notes		2020	2019
	Fixed assets	**£'000**	**£'000**
6.	Tangible fixed assets	2,340	3,063
7.	Intangible fixed assets	297	490
		2,637	3,553
	Current assets		
8.	Debtors	2,171	3,341
9.	Cash at bank and in hand	5,664	7,948
		7,835	11,289
	Current liabilities		
10.	Creditors – amounts falling due within one year	(4,002)	(4,590)
11.	Deferred membership income	(3,078)	(3,983)
	Total current liabilities	(7,080)	(8,573)
	Net current assets	755	2,716
	Total assets less current liabilities	3,392	6,269
	Non current liabilities		
11.	Creditors – amounts falling due after more than one year	(929)	(1,296)
	Net assets excluding pension liability	2,463	4,973
16.	Pension liability	0	0
	Net assets including pension liability	2,463	4,973
	Represented by:		
	Accumulated funds at 31 December	2,463	4,973

The financial statements on pages 60 to 76 were approved by the Board on 09 June 2021 and were signed on its behalf by:



John Watson
Chair of the Audit and Risk Committee

09 June 2021

Jonathan Geldart
Director General

09 June 2021

Statement of cash flows

Notes		2020	2019
		£'000	£'000
	Net cash flows from operating activities (Note A)	(2,211)	942
	Cash flows from investing activities		
	Interest received	54	76
	Purchase of tangible and intangible fixed assets	(127)	(522)
	Net cash used in investing activities	(72)	(446)
	Change in cash and cash equivalents in the year	(2,283)	496
	Cash and cash equivalents at 1 January	7,948	7,452
	Cash and cash equivalents at 31 December (Note B)	5,664	7,948
A	**Reconciliation of net (deficit) / surplus for the year to net cash flows from operating activities**		
	(Deficit) / surplus for the year	(2,592)	696
	Adjustments for:		
	– Depreciation on tangible and intangible fixed assets	1,043	1,344
	– Interest receivable and similar income	(54)	(76)
	– Decrease / (increase) in debtors	1170	(601)
	– (Decrease) / increase in trade creditors	(988)	146
	– (Decrease) / increase in other creditors, accruals and provisions	615	(292)
	– Increase in multiple years' advance membership over one year	(367)	(208)
	– (Decrease) / increase in deferred membership income	(905)	(523)
	– (Decrease) / increase in other deferred income	(215)	400
	– Difference between pension charge and cash contributions	82	56
	Net cash (used in) / provided by operating activities	(2,211)	942
B	**Analysis of cash and cash equivalents**		
	Cash at bank and in hand	5,664	7,948
	Short term investments		
		5,664	7,948

Notes to the Financial Statements

Note 1 Accounting policies

The Institute of Directors (the 'Institute') is not subject to the Companies Act 2006. However, these financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and incorporate the disclosures required by the Companies Act 2006 in respect of directors' emoluments for a private limited company.

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the accounts are laid out below.

Basis of accounting

These financial statements have been prepared for the year to December 2020, with comparative information provided in respect of the year to 31 December 2019.

The financial statements comprise the consolidated accounts of the Institute and the net revenue and assets of its branches. Its wholly owned subsidiaries, The Director Publications Limited, IoD Management Limited, iod.com Limited, and Tomorrow's Directors Limited, are all dormant.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these accounts.

The financial statements have been prepared in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

The financial statements are presented in sterling and are rounded to the nearest thousand pounds.

Critical accounting estimates and areas of judgement

Preparation of the accounts requires the Board and management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

- The assessment of the Institute as a going concern in light of the impact of COVID-19.
- The depreciation / amortisation charge for the year which is based on the estimate of the useful economic lives attributed to the relevant assets.
- The provisions made in respect of bad or doubtful debts.
- The period over which income from lifetime memberships is recognised (see note 11).

Assessment of going concern

During the period from 31 December 2020 to the date that the financial statements were approved, the coronavirus (COVID-19) lockdown restrictions have continued and are causing continuously disruptions to businesses as well as economic activities globally including the UK. We have considered the effects of the 2020 outbreak of COVID-19 on the Institute's operations.

As part of the Board's consideration of the appropriateness of adopting the going concern basis in preparing the financial statements, a range of severe scenarios have been reviewed. The assumptions modelled are based on the estimated potential impact of COVID-19 restrictions and regulations, along with our proposed responses over the course of the next 24 months (to 31 December 2022). These include a range of estimated impacts primarily based on length of time various levels of restrictions are in place, and the severity of the consequent impact of those restrictions on our operations.

For each of our business areas, we have sensitised revenue, profit and cash flow impact of reduced trading activity, using membership levels as the key driver. The scenarios are most sensitive to the assumptions made for professional development courses and hospitality events, given the restrictions in place with regard to the maximum number of people who can attend an event or course face to face.

As professional development courses in 2020 have been converted to virtual online delivery, there is less sensitivity within this area.

A key judgement applied is the likely time period of restrictions on trading activity in face-to-face delivery of courses and events, movement of people and social distancing. The severe scenarios include an assumption that restrictions will remain in place for much of 2021, and will likely only start to ease towards the end of 2021.

Notes to the Financial Statements

Note 1 Accounting policies

The key assumption when modelling the range of scenarios is for membership levels to be consistent throughout the period modelled at a reducing rate from 19,000 onwards. Under each scenario, mitigating actions are within management control, can be initiated as they relate to spend, and do not impact the ability to deliver to our members. These actions include some that have already been started, and focus on delivering services closer to our members and expanding the virtual delivery of the Professional Development courses.

In all scenarios modelled our cash reserves are in line with the ranges set out in our Reserves Policy, and satisfy the Institute's needs to be able to meet its liabilities, as they fall due.

July 2021 is the most sensitive point, as the modelling has assumed that restrictions on face-to-face delivery courses and events remains in place until summer 2021.

Under all the scenarios modelled, after taking mitigating actions as required, our forecasts did not indicate any possible or probable exhaustion of cash reserves. However, to get to this position, there is a need to remove a significant amount of the current cost base, given reduced trading as a direct result of the COVID-19 pandemic. A reduction in the cost base will allow the Institute to rebuild its reserves.

On the basis of these reviews, the Board has concluded that while there may be reductions in income and reshaping of some activity, notwithstanding, the Board does not believe that there are material uncertainties related to events or conditions that may cast significant doubt on the ability of the Institute to continue as a going concern.

The Board is of the opinion that the Institute will have sufficient resources to meet its liabilities as they fall due.

Membership income

Annual membership subscriptions are recognised as income on an accruals basis applicable to the membership period, and part of the subscription applicable to the following year is carried forward as deferred income.

In the case of multiple year membership subscriptions, an annual allocation is included within income for the year, with the unutilised income, carried forward to future years.

Revenue earning activities

Revenue earning activities income consists of member services that are recognised when the service is provided and risks and benefits have been transferred.

Furlough income

Coronavirus Job Retention Scheme grants are credited to the statement of income and retained earnings when the Institute has entitlement to the income and when the amount receivable has been quantified.

Tangible fixed assets

Tangible fixed assets are recorded at historic cost, together with any incidental costs of acquisition.

Depreciation is calculated on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Leasehold improvements
10% or the period of the lease if lower

Computers, furniture & fittings
20%.

Intangible assets

The cost of acquired computer software licenses is capitalised. These costs are amortised over their expected useful lives – up to five years. Costs incurred on development projects relating to the design or improvement of systems are recognised as intangible assets when the recognition criteria set out in FRS 102 are met. Capitalised development costs are amortised from the date available for use of the system over their expected useful lives – not exceeding five years.

Research expenditure is recognised as an incurred expense.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt, where such discounting is material.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken to the statement of income and retained earnings in arriving at the net surplus for the year.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment, where such discounting is material.

Expenditure

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the Institute to make a payment 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. All expenditure is accounted for on an accruals basis and excludes recoverable VAT.

Property maintenance

Under the terms of the various leases held by the Institute, there is an obligation to keep the relevant properties in a proper state of repair, together with rentals charged as incurred. In addition, and where necessary, the Institute will set aside a provision for expenditure required to bring 116 Pall Mall back to a proper state of repair at the end of the lease. For this Grade 1 listed property, which is held under a lease expiring in 2043, the public areas of the building are maintained to a standard which is consistent with their revenue earning potential. There are no provisions as at the balance sheet date.

Leased assets

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the Consolidated Statement of Income and Retained Earnings on a straight-line basis over the term of the lease.

Pension scheme

The Institute operates both a non-contributory defined contribution pension scheme for benefits accruing from 1 January 1997 and a closed defined benefit pension scheme.

Pension costs for the defined contribution scheme are charged to the Statement of Income and Retained Earnings when they are payable to the scheme.

For the closed defined benefit pension scheme, finance income is credited to the Statement of Income and Retained Earnings. As the scheme is in surplus, the surplus is not carried on the balance sheet in accordance with the requirements of FRS 102. Accordingly, a corresponding adjustment equivalent to the finance income is recognised within other comprehensive income.

Notes to the Financial Statements

Notes		2020 Income	2020 Expenditure	2020 Net	2019 Net
2.	**Analysis of operating surplus / (deficit) by activities**	**£'000**	**£'000**	**£'000**	**£'000**
	Membership	7,952	(814)	7,138	8,001
	Revenue earning activities				
	Hospitality	842	(653)	189	1,093
	Director publications	50	(400)	(350)	(848)
	Professional development	4,266	(2,617)	1,649	4,894
	Office solutions	268	(77)	191	180
	Business centre	92	(44)	48	1,087
	Director events	120	(75)	45	79
	Commercial	559	(45)	514	627
	BEIS	0	(0)	(0)	58
		6,197	(3,911)	2,286	7,170
	Member services				
	Regional services	551	(2,398)	(1,847)	(1,709)
	Information and advisory services	0	(628)	(628)	(759)
	Member benefits	0	(7)	(7)	(87)
		551	(3,033)	(2,482)	(2,555)
	Policy and Directorate	1	(1,285)	(1,284)	(1,115)
	Operating and overhead costs				
	Property costs (excluding regions)	0	(1,865)	(1,865)	(2,812)
	Depreciation	0	(1,042)	(1,042)	(1,344)
	IT, iod.com, marketing and new initiatives	0	(1,858)	(1,858)	(3,320)
	Central administration	0	(2,434)	(2,434)	(3,405)
		0	(7,199)	(7,199)	(10,881)
	Furlough income	472	0	472	
	Interest receivable	54	0	54	76
	Specific costs relating to IoD fundamental re-organisation in 2020	0	(1,577)		
	Surplus / (deficit) on ordinary activities before taxation	15,227	(17,819)	(2,592)	696

Notes		2020	2019
3.	**Employment costs**	**£'000**	**£'000**
(a)	The average number of employees during the year was:	132	160
(b)	Salaries	5,422	6,501
	Social security	563	689
	Pension costs – see note 18	403	530
	Contracted and temporary staff	413	449
	Subsistence and insurance	108	164
	Redundancy, termination and ex gratia payments	532	476
	Recruitment and training	40	129
	Motor vehicle and travel	63	281
	Other	8	19
	Specific costs relating to IoD fundamental re-organisation in 2020	(795)	
		6,757	9,238
(c)	The fees paid to the Chair totalled £9,000 during the year (2019: £20,000).		
(d)	Emoluments paid to the Director General (2019: 4), who was the highest paid Director, amounted to:		
	– Salaries	233	159
	– Benefits	0	1
	– Payment in lieu of employer pension contribution	35	1
	– Contracted and temporary staff	0	252
	– Pension contributions	0	6
	– Ex-gratia payment	0	288
		268	707

Notes to the Financial Statements

Notes		2020	2019
		£’000	£’000
(e)	Executive directors’ emoluments		
	Emoluments paid to the 2 executive directors (2019: 6), amounted to:		
	– Salaries	414	334
	– Benefits	0	2
	– Payment in lieu of employer pension contribution	35	24
	– Contracted and temporary staff	0	220
	– Pension contributions	6	3
	– Ex-gratia payment	29	397
		484	980

Contributions are not payable under money purchase pension schemes to any directors (2019: 4 directors).

Notes		2020	2019
(f)	Emoluments paid to key management		
	8 key management including the Director General and other executive directors (2019: 10 key management)		
	– Salaries	850	824
	– Benefits	1	9
	– Contracted and temporary staff	36	0
	– Pension contributions	46	49
	– Ex-gratia payment	29	397
		962	1,280

Also paid in the year was one ex-gratia payment totalling £28,678 (2018: £397,489).

Directors’ emoluments disclosures have been prepared in compliance with Companies Act requirements for a limited company.

Notes		2020	2019
4.	**Deficit after taxation**	£’000	£’000
	This is stated after charging:		
	Fees in respect of services provided by the auditor:		
	In respect of prior year	35	35
	Statutory audit	0	0
		35	35
5.	**Taxation**		
	Current tax:		
	UK Corporation tax	0	0
	Tax reconciliation:		
	Deficit on ordinary activities before taxation	(2,592)	696
	Multiplied by the standard rate of UK Corporation tax of 19% (2019: 19%)	(492)	132
	Tax effect of: Deficit / (surplus) arising on non-taxable activity and non-deductible expenditure	(169)	47
	Movement in deferred tax not recognised	514	(358)
	Depreciation in excess of capital allowances	147	179
		0	0

Corporation tax is payable only on the Institute’s externally derived sources of income and on activities undertaken by Director Publications Limited – the Institute’s wholly owned subsidiary. The Institute’s membership activities are outside the charge to corporation tax.

No provision for deferred taxation is required (2019 – £Nil).

Factors that may affect future tax charges:
The UK corporation tax is set to remain at 19% following the announcement in the budget on 3 March 2021. This rate should remain in place until 31 March 2023.

Notes to the Financial Statements

Notes		Leasehold improvements	Furniture and fittings	Computer hardware	Office equipment	Total
6.	**Tangible fixed assets**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	Cost					
	At 1 January 2020	4,156	1,954	230	7	6,347
	Additions	37	20	13	0	69
	Disposals	(35)	(1)	(2)	0	(38)
	At 31 December 2020	4,158	1,973	241	7	6,379
	Depreciation					
	At 1 January 2020	(2,167)	(961)	(156)	0	(3,284)
	Charge for the year	(398)	(359)	(35)	(1)	(793)
	Disposals	35	1	2	0	38
	At 31 December 2020	(2,530)	(1,319)	(189)	(1)	(4,039)
	Net book value 2020	1,628	654	52	6	2,342
	Net book value 2019	1,989	993	74	7	3,063

		Computer software etc.
7.	**Intangible fixed assets**	**£'000**
	Cost	
	At 1 January 2020	1,680
	Additions	57
	Disposals	(2)
	At 31 December 2020	1,735
	Depreciation	
	At 1 January 2020	(1,190)
	Charge for the year	(250)
	Disposals	2
	At 31 December 2020	(1,438)
	Net book value 2020	297
	Net book value 2019	490

Notes		2020	2019
8.	**Debtors**	**£'000**	**£'000**
	Trade debtors	1,846	2,568
	Other debtors and prepayments	325	558
	VAT receivable	0	215
		2,171	3,341

All debtors are due within one year.

		2020	2019
9.	**Cash at bank and in hand**		
	Cash at bank and in hand	5,664	7,948

Cash at bank and in hand includes £386,880 (2019: £310,704) held in overseas branches.

		2020	2019
10.	**Creditors**		
	Amounts falling due within one year:		
	Trade creditors	948	1,936
	Deferred non membership income	1,549	1,764
	Other creditors and accruals	1,329	890
	VAT payable	176	(215)
		4,002	4,590

		2020	2019
11.	**Deferred membership income**		
	Memberships expiring within one year	3,078	3,983
	Memberships expiring after more than one year	929	1,296
		4,007	5,279

Membership subscriptions received in advance include cash received for annual memberships for which benefits are owed to members until the expiry date of their membership. It also includes cash received for lifetime subscriptions which are released to income over a period of eighteen years.

Notes to the Financial Statements

Notes

12. Lease commitments

At 31 December, the Institute has total future minimum lease payments under non-cancellable operating leases as follows:

	2020 Property £'000	2020 Other £'000	2020 Total £'000
Within one year	491	11	502
After one, but within five years	1,767	0	1,767
After five years	7,649	0	7,649
	9,907	11	9,918

Lease commitments

At 31 December, the Institute has total future minimum lease payments under non-cancellable operating leases as follows:

	2019 Property £'000	2019 Other £'000	2019 Total £'000
Within one year	458	11	469
After one, but within five years	1,657	0	1,657
After five years	5,948	0	5,948
	8,063	11	8,074

13. Capital commitments

Capital commitments contracted but not provided for in the financial statements amount to £Nil (2019: £Nil).

14. Related party transactions

The remuneration payable to the Institute's Chair and directors are disclosed in note 3 to these accounts.

During the year travel and subsistence expenses totalling £1,160 was reimbursed to five Board members (2019: £Nil).

There were no other transactions with related parties during the year (2019: no other transactions).

Notes

15. Pension costs

Pension costs

The Institute of Directors operated both a non-contributory defined contribution pension scheme for benefits accruing from 1 January 1997 and a closed defined benefit pension scheme. The assets of both schemes are held separately from those of the Institute in independently administered funds. Further details of the cost of each scheme are provided below.

Defined Contribution Scheme

Contributions are charged to the Statement of Income in accordance with the rules of the scheme.
The charge associated with this scheme was £403,000 (2019: £530,000), representing the employer contributions payable during the year.

Defined Benefit Scheme

With effect from 1 January 1997, this scheme became closed to new entrants and ceased to provide any further benefit accrual to the then active members who became entitled to deferred pensions, subject to statutory revaluation as from 1 January 2018.
The last full funding valuation was carried out as at 31 December 2020.
A qualified independent actuary carried out calculations as at 31 December 2020 to obtain the amounts reported under FRS 102.

a) Balance sheet and notes

	At 31 December 2020	At 31 December 2019	At 31 December 2018
The major assumptions for FRS 102 purposes were:			
Rate of increase in salaries	n/a	n/a	n/a
Rate of increase to pensions in payment (Post 88 GMP)	2.05%	1.92%	2.10%
Rate of increase to pensions above GMP in deferment	2.40%	2.17%	2.50%
Discount rate	1.20%	1.90%	2.50%
RPI Inflation assumption	3.10%	3.17%	3.50%
CPI Inflation assumption	2.40%	2.17%	2.50%

No contributions were paid to the scheme during the year. (2019: £Nil).
The amounts charged and credited to the Consolidated Statement of Income and retained earnings are detailed in sections b and c below; the total charge for 2020 was £82,000 (2019: £56,000).

No lump sum contributions are due in the coming year in respect of the scheme (2019: £Nil).

Notes to the Financial Statements

Notes

a) Balance sheet and notes (continued)

Under FRS 102 the long term expected rate of return is replaced by the discount rate. The assets in the scheme and the expected rates of return were:

	Discount rate at 31 December 2020	Value at 31 December 2020	Discount rate at 31 December 2019	Value at 31 December 2019	Discount rate at 31 December 2018	Value at 31 December 2018
		£'000		£'000		£'000
Equities	1.20%	3,264	1.90%	3,262	2.50%	2,819
Bonds	1.20%	5,002	1.90%	4,773	2.50%	4,451
Cash	1.20%	61	1.90%	34	2.50%	16
Total market value of assets	1.20%	8,327	1.90%	8,069	2.50%	7,286
Present value of scheme liabilities		7,642		6,858		6,578
Surplus in the scheme		685		1,211		708
Deemed irrecoverable		(685)		(1,211)		(708)

	At 31 December 2020	At 31 December 2019
Reconciliation of present value of scheme liabilities	£'000	£'000
Opening defined benefit obligation	(6,858)	(6,578)
Past service cost	(40)	0
Administration cost	(65)	(73)
Interest cost	(127)	(160)
Remeasurement: actuarial (loss)	(926)	(417)
Benefits paid and expenses	374	370
Closing defined benefit obligation	(7,642)	(6,858)
Reconciliation of fair value of scheme assets		
Opening fair value of scheme assets	8,069	7,286
Interest income	150	177
Investment gain	482	976
Benefits paid and expenses	(374)	(370)
Closing fair value of scheme assets	8,327	8,069

Notes	2020	2019	2018	2017	2016
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation	(7,642)	(6,858)	(6,578)	(6,762)	(6,866)
Scheme assets	8,327	8,069	7,286	8,056	7,831
Surplus	685	1,211	708	1,294	965
Experience adjustments on assets scheme liabilities	21	4	(41)	(25)	(10)
Experience adjustments on scheme assets (2014: restated under FRS 102)	482	976	(541)	455	1,126

		At 31 December 2020	At 31 December 2019
b)	**Analysis of amount charged to the Consolidated Revenue Account**	£'000	£'000
	Administration cost	65	73
	Past service cost	40	0
	Total operating charge	105	73
c)	**Analysis of amount credited to other finance income**		
	Interest income	150	177
	Less: Interest on pension scheme liabilities	(127)	(160)
	Net return	23	17
d)	**Total amounts taken to other comprehensive income**		
	Remeasurement – gain / (loss) Return on scheme assets excluding interest income	482	976
	Remeasurement – gain / (loss) Experience gain / (loss) arising on scheme liabilities	21	4
	Remeasurement – gain / (loss) Changes in financial assumptions underlying the scheme liabilities – gain / (loss)	(935)	(441)
	Remeasurement – gain / (loss) Changes in demographic assumptions underlying the scheme liabilities – gain / (loss)	(12)	20
	(Increase) / Decrease in irrecoverable surplus	526	(503)
	Actuarial gain / (loss) recognised in other comprehensive income	82	56

As the pension surplus is irrecoverable, the decrease of £526,000 has been treated as a pension scheme adjustment in other comprehensive income in 2020.

Notes to the Financial Statements

Notes		At 31 December 2020	At 31 December 2019
e)	**Movements in surplus during the year**	**£'000**	**£'000**
	Surplus in scheme at beginning of the year	1,211	708
	Movements in the year		
	Other finance income	(82)	(56)
	Actuarial (loss) / gain	(444)	559
	Surplus in scheme at the end of the year	685	1,211

Sensitivity to changes in assumptions
The assumptions as to discount rate and price inflation have a significant effect on the value placed on the defined benefit obligations. As at 31 December 2020, a 1% pa change to these assumptions would have had the following effects on the closing defined benefit obligation:

	1% pa increase	1% pa decrease
Discount rate	(£975K)	£1,242K
Price inflation	£260K	(£290K)

f) Demographic assumptions used

Assumption	31 December 2020 (Changes from 31 December 2019)
Mortality (pre and post retirement)	S3PxA, CMI_2019 [1.5%] (2019: S3PxA, CMI_2018 [1.5%])
Proportion married	90% for men and 70% for women
Age difference	Husbands 3 years older than wives
Age at retirement	Normal pension age
Cash commutation	90% of maximum cash allowance

"I had been a member of a number of boards and those experiences led me to think I needed a stronger voice so I could contribute better and deepen my understanding of governance. The Chartered Director qualification was a natural next step to consolidate my experience and enhance the contribution and impact that I could make as an independent member of a board. I would encourage colleagues to take this journey as it is not just an academic exercise but provides self-reflection and personal growth opportunities."

Joanne Kennedy-Reardon CDir
Director, ReGen Future Capital and portfolio independent non-executive director

Objects of the Institute of Directors' Royal Charter

To promote for the public benefit high levels of skill, knowledge, professional competence and integrity on the part of directors, and equivalent office holders however described, of companies and other organisations.

To promote the study, research and development of the law and practice of Corporate Governance, and to publish, disseminate or otherwise make available the useful results of such study or research.

To represent the interests of members and of the business community to government and in the public arena, and to encourage and foster a climate favourable to entrepreneurial activity and wealth creation.

To advance the interests of members of the Institute, and to provide facilities, services and benefits for them.