Institute of Directors
Financial Statements 2022

Contents

Resilience and strong leadership during challenging times

Global events had a profound effect on the outlook for business in 2022. Russia's invasion of Ukraine had far reaching consequences for both the cost of living and the cost of doing business. Much of our focus over the last 12 months has been on mitigating the impact of these global events.

It is times like these when resilience is most needed.

We have provided members with the ability to be able to continue to develop themselves. We have extended the breadth of what we do, and we are refreshing our course content to ensure it is up to date and relevant as the landscape shifts and changes.

As we publish our annual report, we will continue to be absolutely focused on adding value for members and building our community. And, we will seek to engage with government wherever we can to the wider economic benefit of our members, and indeed the country.

Financial review

As Covid restrictions lifted during the year we refocused on investing in the future of the Institute, upgrading our systems and brand as part of the execution of strategic plans developed during 2021.

Overall results

As the organisation recovered from the impact of the pandemic during the year, investment projects continued with exceptional strategic spend driving a loss of £1.2m. Revenue for the year was £16.4m, an increase on 2021 as professional development courses started to recover as Covid restrictions were lifted. Total costs including depreciation came out at £17.6m (2021: £14.7m, 2020: £17.8m), an increase on the prior year due to higher revenue driving activities, Covid relief schemes in 2021 and £1.1m of strategic spend relating to reorganisation. The underlying cost base is significantly lower than pre pandemic levels due to the reorganisation and benefits of investment in systems during the year.

On 31 December 2022, the Institute's accumulated funds stood at £2.1m compared with £3.3m a year earlier, a decrease of £1.2m, which is a result of strategic investments made in the year, in relation to our systems and brand totalling £2.3m.

The balance of cash and cash equivalents at the end of 2022, including those held as investments, decreased by £2.9m to £3.5m. 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 was a surplus of £979k (2021: £2,206k).

Income

Membership income

In what continued to be a challenging environment, membership income reduced by £0.4m to £5.9m for 2022. The fall in income was due to significant business challenges amongst members post-Covid. This was followed by the invasion of Ukraine, energy price increases, the cost-of-living challenges and political uncertainty. These factors combined to see membership continue to decline, though not at the rate during Covid. Membership numbers stabilised in Q4 to end the year at 18,220. Early signs in 2023 are for a recovery of membership as business confidence in the economy returns.

Revenue earning activities

During 2022, as Covid restrictions lifted, we were able to reintroduce face-to-face courses but benefitted from the virtual offering also, enabling access to a wider market. Income from hospitality events also increased year on year as Covid restrictions lifted.

While overall income from revenue earning activities increased by £1.4m to £9.9m, professional development remained as the area with the highest sales of £7.5m (2021: £6.9m).

Expenditure

Total expenditure of £17.6m was £2.9m higher than the previous year. It is analysed across membership, revenue earning activities, member services, operating and overhead costs and represented, as shown in Analysis of Operating Surplus by Activities (Note 2).

With system investments going live in 2022, the depreciation charge has increased from last year to £1.1m (2021:0.9m).

Employment costs

Employment costs, together with direct and indirect costs, are the biggest costs incurred by the IoD. In 2022, they increased slightly by £0.3m to £5.1m (2021: £4.8m) as a result of investment in supporting revenue generating activities and an increase in contracted staff working on delivery of strategic projects.

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 December 2022 reduced to £5m (2021: £5.3m) as a result of a reduction in deferred non membership income of £1.2m related to a reconciliation of historic debtor balances, offset by an increase in trade creditors and accruals due to investments in the infrastructure and brand.

Debtors

A reconciliation of historic debtor balances and appropriate allocation of deferred income saw outstanding debtor balances drop to £1.3m at 31 December 2022 (2021: £2.3m).

Fixed Assets (Tangible and Intangible)

Strategic projects, investing in the growth of the organisation, continued into 2022 with a new CRM tool, online IoD Academy, new website and updated finance system all going live during the year. With total investment of £2.3m in 2022.

Going concern

In 2022, the Board continued to review regularly all management information, including the impact of lifted Covid restrictions and investments in strategic projects, 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 on a quarterly basis), including the assumptions that underpin these. In addition, the Board has also continued to support the implementation of the longer term strategy for the Institute.

After reviewing the information available, the Board considers that the Institute has adequate resources to continue operations as normal and, in particular, that there are no material uncertainties casting doubt over the Institute's ability to operate on an ongoing basis for a period greater than the tested 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.

Non-statutory independent auditor's report to the Board of Institute of Directors

Opinion

We have audited the financial statements of the Institute of Directors (the 'Institute') for the year ended 31 December 2022 which comprise the Statement of income and retained earnings, the Balance sheet, 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Accounting Standards).

In our opinion, the financial statements:

- give a true and fair view of the state of the Institute's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards.

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 non-statutory report. We are independent of the company 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 Boards' 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, other than the financial statements and our non-statutory auditor's report thereon. The Board is responsible for the other information contained within the annual report. Our non-statutory opinion on the financial statements does not cover the other information and 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.

Matters on which we are engaged to report by exception

In the light of the 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 the Companies Act 2006 would require us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our non-statutory audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law, where the Board are considered as equivalent to directors of a private limited company, are not made;
- we have not received all the information and explanations we require for our non-statutory audit.

Responsibilities of the Board

As explained more fully in the board's responsibilities statement set out on page 57, 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 have no realistic alternative but to do so.

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 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

Independent auditor's report

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the Institute operates in and how the Institute is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures, we consider the most significant laws and regulations that have a direct impact on the financial statements are Royal Charter, FRS 102, the Companies Act 2006 requirements in respect of directors' remuneration and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and inspecting available correspondence with local tax authorities.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to general data protection regulations and health and safety legislation. We performed audit procedures to inquire of management whether the Institute is in compliance with these laws and regulations and inspected relevant correspondence with licensing or regulatory authorities.

The audit engagement team identified the risk of management override of controls and the completeness and cut off of non membership income as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, testing revenue substantively to supporting evidence in year and after year end.

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

Use of our report

This non-statutory report is made solely to the Institute's board, for their confidential use, in accordance with our engagement letter dated 1 September 2021. Our non-statutory audit work has been undertaken so that we might state to the Institute's board those matters we are engaged to state to them in a non-statutory 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 board, for our non-statutory audit work, for this non-statutory report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB
20 July 2023

The accounts

Statement of income and retained earnings

Notes		2022	2021
2.	**Income**	**£'000**	**£'000**
	Membership income	5,862	6,295
	Revenue earning activities	9,878	8,497
	Other trading income	673	620
	Furlough income	–	13
	Interest receivable and similar income	–	7
		16,413	15,432
2.	**Expenditure**		
3.	Employment costs	5,112	4,795
	Employment costs – furlough	–	13
	Direct and Indirect costs	7,246	6,811
	Property expenditure	3,076	1,698
	Depreciation	1,051	894
	Specific costs relating to IoD fundamental re-organisation in 2022 & 2021	1,092	485
		17,577	14,696
2.	(Deficit)/Surplus before taxation	(1,164)	736
5.	Taxation	–	–
	(Deficit)/Surplus after taxation	(1,164)	736
	Other comprehensive income		
16.	Closed defined benefit pension scheme adjustment	–	91
	Total comprehensive (expenditure) / income	(1,164)	827
	Reconciliation of accumulated funds		
	Accumulated funds at 1 January	3,290	2,463
	Accumulated fund at 31 December	2,126	3,290
	The underlying operating position before depreciation and specific "one-off" reorganisation costs (net of Government furlough income and matched expenditure) was a surplus of £979k (2021 surplus £2,206k)	979	2,206

Balance sheet

Notes		2022	2021
	Fixed assets	**£'000**	**£'000**
6.	Tangible fixed assets	2,828	1,950
7.	Intangible fixed assets	2,285	1,923
		5,113	3,873
	Current assets		
8.	Debtors	1,271	2,349
9.	Cash at bank and in hand	3,473	6,437
		4,744	8,786
	Current liabilities		
10.	Creditors – amounts falling due within one year	(4,472)	(5,277)
12.	Deferred membership income	(1,959)	(2,404)
	Total current liabilities	(6,431)	(7,681)
	Net current (liabilities) / assets	(1,687)	1,105
	Total assets less current liabilities	3,426	4,978
	Non current liabilities		
11.	Creditors – amounts falling due after more than one year	(590)	(454)
12.	Deferred membership income	(709)	(1,234)
	Net assets excluding pension liability	2,127	3,290
16.	Pension liability	–	–
	Net assets including pension liability	2,127	3,290
	Represented by:		
	Accumulated funds at 31 December	2,127	3,290

Patrick Macdonald
Chair

20 July 2023

Jonathan Geldart
Director General

20 July 2023

Statement of cash flows

Notes		2022	2021
		£'000	£'000
	Net cash flows from operating activities (Note A)	(671)	2,896
	Cash flows from investing activities		
	Interest received	–	7
	Purchase of tangible and intangible fixed assets	(2,293)	(2,130)
	Net cash used in investing activities	(2,293)	(2,123)
	Change in cash and cash equivalents in the year	(2,964)	773
	Cash and cash equivalents at 1 January	6,437	5,664
	Cash and cash equivalents at 31 December (Note B)	3,473	6,437
A	**Reconciliation of net (deficit) / surplus for the year to net cash flows from operating activities**		
	(Deficit) / Surplus for the year	(1,164)	736
	Adjustments for:		
	– Depreciation on tangible and intangible fixed assets	1,053	894
	– Interest receivable and similar income	–	(7)
	– Decrease/(increase) in debtors	1,078	(178)
	– Decrease/(increase) in trade creditors	(981)	1,025
	– Increase/(decrease) in other creditors, accruals and provisions	1,533	(621)
	– Increase in multiple years' advance membership over one year	(525)	305
	– Increase/(decrease) in deferred membership income	(445)	(673)
	– Increase/(decrease) in finance leases	(27)	484
	– Increase/(decrease) in other deferred income	(1,193)	840
	– Difference between pension charge and cash contributions	–	91
	Net cash (used in) operating activities	(671)	(2,896)
B	**Analysis of cash and cash equivalents**		
	Cash at bank and in hand	3,473	6,437
		3,473	6,437

Notes to the Financial Statements

Note 1 Accounting policies

The Institute of Directors (the 'Institute') is not subject to the Companies Act 2006, as a Royal Charter. 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 2022, with comparative information provided in respect of the year to 31 December 2021.

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, IoD International 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 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 12).
- The provision made in respect of expenditure required to bring 116 Pall Mall back to a proper state of repair at the end of the lease (See Note 11).
- The treatment of overseas branches as non controlling interests. International branches of the Institute have autonomy over their operations. The value of these investments has been reflected in the financial statements by the inclusion of unspent funds held in overseas bank accounts (See note 9).

Assessment of going concern

During 2022, businesses started to recover from the effects of the global Covid pandemic but were subsequently impacted by increased energy costs and inflation as result of Russia's invasion of Ukraine. However, by Q1 2023 we have started to see a return to more normal trading conditions for the Institute with a return to face to face professional development courses, supplemented by our virtual offering, and director development higher on the agenda for businesses.

As part of the Board's consideration of the appropriateness of adopting the going concern basis in preparing the financial statements, the current economic climate has been considered. The assumptions modelled are

Notes to the Financial Statements

Note 1 Accounting policies

based on the potential risk of a decline in membership and a reverse stress test, along with our proposed responses over the course of the next 12 months (to 31 July 2024).

These include a range of estimated impacts primarily based on an unanticipated decline in membership, with the reverse scenario considering how far membership and other forms of income would need to decline in order to push the Institute into failure.

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 membership. Outside of Covid restrictions, evidence shows that a decline of UK GDP does not correlate with any changes in professional development activity. However, increases in significant economic structures impacting on both membership and professional development revenues have been factored into the reverse stress test.

A key judgement applied is the potential impact of higher inflation on the discretionary spend of directors. These stress tests demonstrate that even in the case of a catastrophic event, which could not reasonably be foreseen, the data insight available and the mitigating factors available to management would allow us to take swift action in order to prevent Institute failure.

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.

In the worst case scenario 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.

Under all the scenarios modelled, after taking mitigating actions as required, our forecasts did not indicate any possible or probable exhaustion of cash reserves. To get to this position, there is a need to remove a reasonable amount of the current cost base, which is achievable through controllable spend. A reduction to the Institutes cost base following restructuring in 2021 and control measures implemented at the start of 2023 have allowed us to replenish our reserves up to a point where we are resilient to the materialisation of unforeseen risks.

Based on 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.

Notes to the Financial Statements

Note 1 Accounting policies

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.

Tangible fixed assets are recorded at historic cost, together with any incidental costs of acquisition. An impairment review of all tangible and intangible fixed assets is completed at the end of each financial year with any impairment losses recognised in the profit and loss account for the excess of the carrying value of the asset.

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.

Bad debt provision/impairment of trade debtors

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor.

Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

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.

Notes to the Financial Statements

Note 1 Accounting policies

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 Institute 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 has 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. A provision of £0.6m was held at the balance sheet date, the basis of which is described in Note 11.

Leased assets

Rentals applicable to operating leases where substantially all 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.

Employee termination benefits

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the organisation is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Notes to the Financial Statements

Notes		2022 Income	2022 Expenditure	2022 Net	2021 Net
2.	**Analysis of operating surplus / (deficit) by activities**	**£'000**	**£'000**	**£'000**	**£'000**
	Membership	5,862	(752)	5,110	6,006
	Revenue earning activities				
	Hospitality	1,348	(471)	877	302
	Professional (director) development	7,490	(3,723)	3,767	3,559
	Office solutions	330	(104)	226	128
	Business centre	–	–	–	3
	Director events	290	–	290	43
	Commercial (product marketing)	420	(172)	248	465
		9,878	(4,470)	5,408	4,500
	Member services				
	Regional services	694	(1,166)	(493)	(1,424)
	Information and advisory services	–	(456)	(456)	(408)
		694	(1,622)	(949)	(1,832)
	Policy and directorate	–	(1,742)	(1,742)	(1,443)
	Operating and overhead costs				
	Property costs (excluding regions)	–	(2,714)	(2,714)	(1,883)
	Loss on disposal of assets	–	–	–	–
	Depreciation	–	(1,051)	(1,051)	(894)
	IT, iod.com, marketing and new initiatives	–	(1,792)	(1,792)	(1,397)
	Central administration	–	(2,342)	(2,342)	(1,856)
		–	(7,899)	(7,899)	(6,030)
	Furlough income	–	–	–	13
	Interest receivable	–	–	–	7
	Specific costs relating to IoD fundamental re-organisation in 2021 & 2022	–	(1,092)	(1,092)	(485)
	Surplus / (deficit) on ordinary activities before taxation	16,413	(17,577)	(1,164)	736

Notes to the Financial Statements

Notes		2022	2021
3.	**Employment costs**	**£'000**	**£'000**
(a)	The average number of employees during the year was:	92	94
(b)	Salaries	3,900	3,763
	Social security	417	381
	Pension costs – see note 16	337	306
	Contracted and temporary staff	203	128
	Subsistence and insurance	67	68
	Redundancy, termination & ex gratia payments	–	(27)
	Recruitment and training	105	153
	Motor vehicle and travel	79	34
	Other	4	4
		5,112	4,810
(c)	The fees paid to the Chair totalled £0 during the year (2021: £0).		
(d)	Emoluments paid to the Director General (2021: 1), who was the highest paid director, amounted to:		
	– Salaries	250	250
	– Payment in lieu of employer pension contribution	35	35
		285	285
(e)	Executive directors' emoluments		
	Emoluments paid to the two executive directors (2021: 2), amounted to:		
	– Salaries	366	430
	– Payment in lieu of employer pension contribution	35	35
	– Pension contributions	9	13
		410	478

Contributions are not payable under money purchase pension schemes to any directors (2021: 0 directors).

Notes to the Financial Statements

Notes		2022	2021
		£'000	£'000
(f)	Emoluments paid to key management		
	Eight key management including the Director General and other executive directors (2021: six key management)		
	– Salaries	837	748
	– Payment in lieu of employer pension contribution	35	35
	– Contracted and temporary staff	14	14
	– Pension contributions	44	33
	– Ex-gratia payment	–	37
		930	867
	Also provided in the year was one ex-gratia payment totalling £0 (2021: £37,212).		
	Directors' emoluments disclosures have been prepared in compliance with Companies Act requirements for a limited company.		
4.	**Surplus after taxation**		
	This is stated after charging:		
	Fees in respect of services provided by the auditor.		
	In respect of prior year	(2)	(2)
	Statutory audit	79	41
	Pension advisory services	5	5
		82	44

Notes to the Financial Statements

Notes		2022	2021
		£'000	£'000
5.	**Taxation**		
	Current tax:		
	UK Corporation tax	-	-
	Tax reconciliation:		
	(Deficit) / surplus on ordinary activities before taxation	(1,164)	736
	Multiplied by the standard rate of UK Corporation tax of 19% (2021: 19%)	(221)	140
	Tax effect of: Surplus/(deficit) arising on non-taxable activity and non deductible expenditure	159	(55)
	Movement in deferred tax not recognised	89	(70)
	Depreciation in excess of capital allowances	(27)	(15)
		-	-

The Institute's membership activities are outside the charge to corporation tax.

No provision for deferred taxation is required (2021 – £Nil).

Factors that may affect future tax charges:
In October 2022, the government announced changes to the Corporation Tax rate from 1 April 2023, increasing the main rate of Corporation Tax to 25%.

.

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 2022	4,385	2,066	282	11	6,744
	Additions	1,451	18	135	–	1,604
	Disposals	–	–	–	–	–
	At 31 December 2022	5,836	2,084	417	11	8,348
	Depreciation:					
	At 1 January 2022	(2,911)	(1,660)	(220)	(3)	(4,794)
	Charge for the year	(440)	(239)	(43)	(3)	(726)
	Disposals	–	–	–	–	–
	At 31 December 2022	(3,351)	(1,899)	(263)	(6)	(5,520)
	Net book value 2022	2,485	185	154	5	2,828
	Net book value 2021	1,474	406	62	8	1,950

The net book value of furniture and fittings includes an amount of £35,461 (2021: £45,839) in respect of assets held under finance leases. The depreciation on these assets for the year was £10,379 (2021: £6,054).

		Computer software etc.
7.	**Intangible fixed assets**	£'000
	Cost:	
	At 1 January 2022	3,500
	Additions	689
	Disposals	(685)
	At 31 December 2022	3,504
	Depreciation:	
	At 1 January 2022	(1,577)
	Charge for the year	(327)
	Disposals	685
	At 31 December 2022	(1,219)
	Net book value 2022	2,285
	Net book value 2021	1,923

The net book value of computer software, etc includes an amount of £30,225 (2021: £51,560) in respect of assets held under finance leases. The depreciation on these assets for the year was £21,335 (2021: £12,446).

Notes to the Financial Statements

Notes		2022	2021
8.	**Debtors**	**£'000**	**£'000**
	Trade debtors	1,093	1,999
	Other debtors and prepayments	178	350
		1,271	2,349

All debtors are due within one year. Trade debtors includes a provision for doubtful debts of £1.2m.

9.	**Cash at bank and in hand**		
	Cash at bank and in hand	3,473	6,437

Cash at bank and in hand includes £455,268 (2021: £363,764) held in overseas branches.

10.	**Creditors**		
	Amounts falling due within one year:		
	Trade creditors	991	1,972
	Deferred non membership income	1,197	2,390
	Other creditors and accruals	2,168	468
	Obligations under finance leases	48	30
	VAT Payable	68	417
		4,472	5,277

Deferred non membership income relates to professional development income for courses which are scheduled at a future date.

11.	**Creditors**		
	Amounts falling due after more than one year:		
	Obligations under finance leases	22	66
	Other creditors and accruals	568	388
		590	454

Other creditors and accruals includes a provision for dilapidations in relation to the leasehold property at 116 Pall Mall of £568k (2021: £388k). The provision has been increased by £180k during the year with no specific expenditure allocated against the provision. The value of the provision required at the end of the period has been estimated based upon an external valuation report, discounted for works completed to the building during the year and consideration of the amount that could reasonably be expected to be paid under the lease.

Finance leases

The net finance lease obligations committed to are:		
In one year or less	48	30
Between one and five years	22	66
In five years or more	-	-
	70	96

Finance lease obligations are secured on the assets to which they relate.

12.	**Deferred membership income**		
	Memberships expiring within one year	1,959	2,404
	Memberships expiring after more than one year	709	1,234
		2,668	3,638

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		2022	2022	2022
13.	**Lease commitments**	**Property £'000**	**Other £'000**	**Total £'000**
	At 31 December, the Institute has total future minimum lease payments under non-cancellable operating leases as follows:			
	Within one year	457	16	473
	After one, but within five years	1,794	32	1,826
	After five years	6,776	–	6,776
		9,027	48	9,075

		2021	2021	2021
	Lease commitments	**Property £'000**	**Other £'000**	**Total £'000**
	At 31 December, the Institute has total future minimum lease payments under non-cancellable operating leases as follows:			
	Within one year	467	16	483
	After one, but within five years	1,814	32	1,846
	After five years	7,212	–	7,212
		9,493	48	9,541

14. Capital commitments

Capital commitments contracted but not provided for in the financial statements amount to £nil (2021: £nil).

15. 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 £10,901 were reimbursed to eight Board members (2021: £5,025).

There were no other transactions with related parties during the year (2021: no other transactions).

Notes to the Financial Statements

Notes

16. 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 Consolidated Statement of Income in accordance with the rules of the scheme. The charge associated with this scheme was £336,746 (2021: £303,000), 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 that date.

The last full funding valuation was carried out as at 1 January 2021. A qualified independent actuary carried out calculations as at 31 December 2022 to obtain the amounts reported under FRS 102.

a) Balance sheet and notes	At 31 December 2022	At 31 December 2021	At 31 December 2020
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)	2.25%	2.35%	2.05%
Rate of increase to pensions above GMP in deferment	2.77%	2.98%	2.40%
Discount rate	4.93%	1.81%	1.20%
RPI Inflation assumption	3.38%	3.54%	3.10%
CPI Inflation assumption	2.77%	2.98%	2.40%

No contributions were paid to the scheme during the year. (2021: £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 2022 was £52,000 (2021: £91,000).

No lump sum contributions are due in the coming year in respect of the scheme (2021: £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 2022	Value at 31 December 2022	Discount rate at 31 December 2021	Value at 31 December 2021	Discount rate at 31 December 2020	Value at 31 December 2020
		£'000		£'000		£'000
Equities	4.93%	2,401	1.81%	3,366	1.20%	3,264
Bonds	4.93%	3,541	1.81%	4,752	1.20%	5,002
Cash	4.93%	28	1.81%	98	1.20%	61
Total market value of assets	4.93%	5,970	1.81%	8,216	1.20%	8,327
Present value of scheme liabilities		4,623		6,846		7,642
Surplus in the scheme		1,347		1,370		685
Deemed irrecoverable		(1,347)		(1,370)		(685)
Balance sheet valuation		-		-		-

	At 31 December 2022	At 31 December 2021
Reconciliation of present value of scheme liabilities:	£'000	£'000
Opening defined benefit obligation	(6,846)	(7,642)
Past service cost	-	-
Administration cost	(76)	(98)
Interest cost	(121)	(90)
Remeasurement: actuarial gain / (loss)	1,987	559
Benefits paid and expenses	433	425
Closing defined benefit obligation	(4,623)	(6,846)
Reconciliation of fair value of scheme assets:		
Opening fair value of scheme assets	8,216	8,327
Interest income	145	97
Investment (loss) / gain	(1,958)	217
Contribution by employer	-	-
Benefits paid and expenses	(433)	(425)
Closing fair value of scheme assets	5,970	8,216

Notes to the Financial Statements

Notes	2022	2021	2020	2019	2018
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation	(4,623)	(6,846)	(7,642)	(6,858)	(6,578)
Scheme assets	5,970	8,216	8,327	8,069	7,286
Surplus	1,347	1,370	685	1,211	708
Experience adjustments on assets scheme liabilities	(105)	62	21	4	(41)
Experience adjustments on scheme assets	(1,958)	217	482	976	(541)

		At 31 December 2022	At 31 December 2021
b)	**Analysis of amount charged to the Consolidated Revenue Account**	£'000	£'000
	Current service cost	-	-
	Administration costs	76	98
	Past service cost	-	-
	Total operating charge	76	98
c)	**Analysis of amount credited to other finance income**		
	Interest income	145	97
	Less: Interest on pension scheme liabilities	(121)	(90)
	Net return	24	7
d)	**Total amounts taken to other comprehensive income**		
	Remeasurement - gain / (loss) Return on scheme assets excluding interest income	(1,958)	217
	Remeasurement - gain / (loss) Experience gain / (loss) arising on scheme liabilities	(105)	62
	Remeasurement - gain / (loss) Changes in financial assumptions underlying the scheme liabilities - gain / (loss)	2,054	491
	Remeasurement - gain / (loss) Changes in demographic assumptions underlying the scheme liabilities - gain / (loss)	38	6
	(Increase) / Decrease in irrecoverable surplus	23	(685)
	Actuarial gain / (loss) recognised in other comprehensive income	52	91

As the pension surplus is irrecoverable, the increase of £23,000 has been treated as a pension scheme adjustment in other comprehensive income in 2022.

Notes to the Financial Statements

Notes		At 31 December 2022	At 31 December 2021
e)	**Movements in surplus during the year**	£'000	£'000
	Surplus in scheme at beginning of the year	1,370	685
	Movements in the year:		
	Other finance income	(52)	(91)
	Actuarial (loss) / gain	29	776
	Surplus in scheme at the end of the year	1,347	1,370

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 2022, a 1% pa change to these assumptions would have had the following effects on the closing defined benefit obligation:

	1% pa increase	1% pa increase
Discount rate	(£429K)	(£828K)
Price inflation	£98K	£199K

f) **Demographic assumptions used are as follows:**

Assumption	31 December 2022 (Changes from 31 December 2021)
Mortality (pre and post retirement)	S3PxA, CMI_2021 [1.25%] (2021: S3PxA, CMI_2020 [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

The day I stepped inside the door at 116 Pall Mall for the first time, I felt at home. Since then the IoD has become my colleague, business associate and friend. The kind and helpful staff members and the exciting new connections I've made, opened the door to new successes. The professional advice I received from the IoD Business Advice Hub is indeed one of the most invaluable member benefits.

Mariette Richardson
IoD Ambassador, Digital and Creative Industries

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.

iod.com