

**COMPANY REGISTRATION NUMBER 7746254**

**INTERNATIONAL INTEGRATED REPORTING COUNCIL  
(A COMPANY LIMITED BY GUARANTEE)**

**FINANCIAL STATEMENTS**

**PERIOD ENDED  
31 DECEMBER 2012**

**INTERNATIONAL INTEGRATED REPORTING COUNCIL  
FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2012**

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<b>CONTENTS</b>	<b>PAGES</b>
Officers and Professional Advisers	2
Directors' Report	3 to 4
Statement of Directors' Responsibilities	5
Independent Auditor's report to the Board of Directors of International Integrated Reporting Council	6 to 7
Comprehensive Income Statement	8
Statement of Changes in Equity	9
Statement of Financial Position	10
Statement of Cash Flows	11
Notes to the Financial Statements	12 to 17

**INTERNATIONAL INTEGRATED REPORTING COUNCIL  
OFFICERS AND PROFESSIONAL ADVISORS  
FOR THE PERIOD ENDED 31 DECEMBER 2012**

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<b>Company Registration Number</b>	7746254
<b>Board of Directors</b>	Peter Bakker Ian Ball Jane Diplock Paul Druckman Jessica Fries Mervyn King (Chairman) Ernst Ligteringen Christianna Wood
<b>Company Secretary</b>	Paul Druckman
<b>Registered Office</b>	1 The Green Richmond TW9 1PL
<b>Address</b>	10 Lincoln's Inn Fields London WC2A 3BP
<b>Auditor</b>	Crowe Clark Whitehill LLP St. Bride's House 10 Salisbury Square London EC4Y 8EH
<b>Bankers</b>	HSBC Bank Plc. 69 Pall Mall London SW1Y 5EY

# INTERNATIONAL INTEGRATED REPORTING COUNCIL

## DIRECTORS' REPORT

### FOR THE PERIOD ENDED 31 DECEMBER 2012

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The Directors present their report and financial statements for the period from incorporation on 19 August 2011 and ended 31 December 2012 (hereafter referred to as 'the period ended 31 December 2012').

#### PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The International Integrated Reporting Council (the IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. Together, the coalition shares the view that communication about businesses' value creation should be the next step in the evolution of corporate reporting. The mission of the IIRC is to create *the* globally accepted International Integrated Reporting Framework (the Framework) that elicits from organisations material information about their strategy, governance, performance and prospects in a clear, concise and comparable format. The Framework will underpin and accelerate the evolution of corporate reporting, reflecting developments in financial, governance, management commentary and sustainability reporting. The IIRC will seek to secure the adoption of Integrated Reporting by report preparers and gain the recognition of standard setters and investors.

Our vision is for Integrated Reporting to be accepted globally as the corporate reporting norm, benefiting organisations, their investors and other stakeholders by enabling informed decision-making that leads to efficient capital allocation and the creation and preservation of value. By encouraging a different way of thinking, Integrated Reporting will contribute towards the advancement of a more sustainable global economy.

The IIRC Pilot Programme underpins the development of the Framework. The group of businesses (the Business Network) and investors (the Investor Network) participating in the Pilot Programme have the opportunity to contribute to the development of the Framework and to demonstrate global leadership in this emerging field of corporate reporting. At the end of December 2012, there were over 100 businesses (the Business Network) and investors (the Investor Network) participating in the Pilot Programme.

The IIRC is chaired by Mervyn King, and Paul Druckman is Chief Executive Officer. The activities of the IIRC are funded by financial contributions from our Business Network participants and voluntary contributions from Council members and other organisations. The IIRC would be unable to conduct its activities without the significant non-financial contribution provided by Council members and other organisations, which have generously provided staff and premises on a *pro bono* basis, to enable the IIRC to implement its objectives.

#### DIRECTORS

The Directors who served during the period were:

Peter Bakker	(appointed 1 July 2012)
Ian Ball	(appointed 15 December 2011)
Jane Diplock	(appointed 7 May 2012)
Paul Druckman	(appointed 19 August 2011)
Leslie Ferrar	(appointed 15 December 2011, resigned 3 October 2012)
Jessica Fries	(appointed 15 December 2011)
Mervyn King	(appointed 19 August 2011)
Ernst Ligteringen	(appointed 15 December 2011)
Christianna Wood	(appointed 15 December 2011)

**INTERNATIONAL INTEGRATED REPORTING COUNCIL  
DIRECTORS' REPORT  
FOR THE PERIOD ENDED 31 DECEMBER 2012**

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**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

In so far as the Directors are aware:

- there is no relevant audit information of which the IIRC's auditor is unaware, and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

**AUDITORS**

Crowe Clark Whitehill LLP has indicated its willingness to be reappointed.

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

Approved by the Board on 9 May 2013 and signed on its behalf by



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**Paul Druckman**  
Director

**INTERNATIONAL INTEGRATED REPORTING COUNCIL**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
**FOR THE PERIOD ENDED 31 DECEMBER 2012**

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The Directors are responsible for preparing the annual report and the financial statements in accordance with European Union endorsed International Financial Reporting Standards (IFRS), interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Company law requires the Directors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, comparable, understandable and prudent;
- ensure that the financial statements comply with IFRS;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper books of accounts, which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INTERNATIONAL INTEGRATED REPORTING COUNCIL  
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL INTEGRATED  
REPORTING COUNCIL  
FOR THE PERIOD ENDED 31 DECEMBER 2012**

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We have audited the financial statements of the International Integrated Reporting Council (IIRC) for the period ended 31 December 2012 which comprise the Statement of Financial Position, the Comprehensive Income Statement, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes numbered 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs), as adopted by the European Union.

This report is made solely to the Directors, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Directors 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the entity's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **OPINION ON FINANCIAL STATEMENTS**

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its surplus for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**INTERNATIONAL INTEGRATED REPORTING COUNCIL  
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL INTEGRATED  
REPORTING COUNCIL  
FOR THE PERIOD ENDED 31 DECEMBER 2012**

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**OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion, the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Steve Gale*

Steve Gale FCA  
Senior Statutory Auditor

For and on behalf of  
**Crowe Clark Whitehill LLP**  
Statutory Auditor

London

Date: *10 May 2013*



**INTERNATIONAL INTEGRATED REPORTING COUNCIL  
COMPREHENSIVE INCOME STATEMENT  
FOR THE PERIOD ENDED 31 DECEMBER 2012**

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	<b>Notes</b>	<b>2012 £</b>
Income	3	1,488,664
Staff costs		676,235
Travel and subsistence		148,477
Communications and engagement		32,960
Other costs		<u>71,936</u>
<b>OPERATING SURPLUS</b>	4	559,056
Other non-operating income		<u>216</u>
<b>SURPLUS BEFORE TAX</b>		559,272
Tax expense	6	<u>-</u>
<b>SURPLUS FOR THE PERIOD</b>		<u>559,272</u>

**INTERNATIONAL INTEGRATED REPORTING COUNCIL  
STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 DECEMBER 2012**

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	<b>Retained surplus £</b>
Surplus for the period	<u>559,272</u>
<b>TOTAL RECOGNISED SURPLUS FOR THE PERIOD</b>	<u>559,272</u>
<b>BALANCE AT 31 DECEMBER 2012</b>	<u>559,272</u>

**INTERNATIONAL INTEGRATED REPORTING COUNCIL**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2012**

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	Notes	2012 £
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Trade and other receivables	10	364,835
Prepayments	11	2,752
Cash and cash equivalents	12	<u>772,436</u>
		<u>1,140,023</u>
<b>TOTAL ASSETS</b>		<u><u>1,140,023</u></u>
<b>EQUITY</b>		
<b>ISSUED CAPITAL AND RESERVES</b>		
Retained surplus	13	<u>559,272</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Deferred income	14	544,060
Trade and other payables	14	<u>36,691</u>
		<u>580,751</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>1,140,023</u></u>

Approved by the Board on 9 May 2013 and signed on its behalf by



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**Paul Druckman**  
Director

Company registration number: 7746254

**INTERNATIONAL INTEGRATED REPORTING COUNCIL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2012**

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	<b>2012</b>
	<b>£</b>
Total operating surplus	559,056
(Increase)/decrease in trade and other receivables	(367,587)
Increase/(decrease) in trade and other payables	<u>580,751</u>
<b>Cash generated from operations</b>	<b>772,220</b>
Tax paid	<u>-</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>772,220</b>
Interest received	<u>216</u>
<b>Cash flows from investing activities</b>	<b>216</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>772,436</b>
<b>CASH AND CASH EQUIVALENTS AS AT 19 AUGUST 2011</b>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER 2012</b>	<b><u>772,436</u></b>

**INTERNATIONAL INTEGRATED REPORTING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2012**

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**1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)**

International Integrated Reporting Council's (the IIRC) financial statements for the period ended 31 December 2012 were authorised for issue on 9 May 2013 and the statement of financial position signed on the IIRC's behalf by Paul Druckman. The IIRC was incorporated on 19 August 2011.

**Basis of preparation**

The IIRC's financial statements have been prepared in accordance with IFRSs as adopted by the European Union and applicable law. The financial statements have been prepared under the historical cost convention as modified for financial assets carried at fair value and on the going concern basis. The principal accounting policies adopted by the IIRC are set out in note 2. The policies have been consistently applied to the entire period presented, unless otherwise stated.

The functional currency of the IIRC is UK Sterling. Most of the IIRC's income and cash inflows are denominated and settled in UK Sterling. Most of the IIRC's expenses and cash outflows are denominated and settled in UK Sterling. The presentational currency of the financial statements is UK Sterling.

**2. ACCOUNTING POLICIES**

**Income recognition**

Income is recognised to the extent that it is probable that the economic benefits will flow to the IIRC, and the income can be reliably measured. All such income is reported net of VAT where applicable.

**Pilot Programme contributions**

Pilot Programme Business Network (the Business Network) contributions are recognised in accordance with International Accounting Standard 18 Revenue. Business Network contributions are accounted as income in the accounting period to which they relate.

**Other contributions**

Other contributions are recognised in accordance with International Accounting Standard 18 Revenue. Other contributions are accounted as income in the accounting period to which they relate.

**Interest expense recognition**

Expense is recognised as interest accrues.

**Foreign currency exchange**

Transactions in currencies other than the functional currency of the IIRC are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Gains and losses arising on retranslation are included in net surplus or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

**INTERNATIONAL INTEGRATED REPORTING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2012**

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**2. ACCOUNTING POLICIES (continued)**

**Tax**

For UK tax purposes, the IIRC has sought confirmation from H.M. Revenue & Customs that all income received from the Pilot Programme Business Network participants, Council members and other organisations is not taxable. If agreed by H.M. Revenue & Customs, the IIRC will only pay corporation tax on its surplus arising from bank interest received in the period ending 31 December 2012. H.M. Revenue & Customs can challenge the basis of preparation of the corporation tax until 31 December 2014.

**Trade and other receivables**

Trade and other receivables are recognised by the IIRC based on the original invoice amount less an allowance for any uncollectible or impaired amounts.

Other receivables are recognised at fair value.

**Estimates and judgements**

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when they are identified as being bad.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank, cash in hand and short-term deposits. Short-term is defined as being three months or less.

**Trade and other payables**

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

**Financial risk management objectives and policies**

The IIRC defines the financial capital that it manages as its working capital. Senior management's objectives when managing the financial capital are:

- to safeguard the IIRC's ability to continue as a going concern, to enable it to continue to meet its objectives; and
- to maintain sufficient financial resources to mitigate against risks and unforeseen events.

**Standards in issue not yet adopted**

The financial statements have been prepared on the basis of accounting standards, interpretations and amendments effective from 19 August 2011. The IIRC has concluded that there are no relevant standards or interpretations in issue not yet adopted.

**3. INCOME**

	<b>2012</b>
	<b>£</b>
Other contributions	642,101
Pilot Programme contributions	846,563
	<u>1,488,664</u>

**INTERNATIONAL INTEGRATED REPORTING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2012**

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**4. OPERATING SURPLUS**

Operating surplus is stated after charging the following:

	<b>2012</b>
	<b>£</b>
Net foreign currency differences	2,920
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Auditor's remuneration - audit services	4,500
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	<b>2012</b>
	<b>£</b>
Employee benefits expense	4,799
Net foreign currency exchange	2,920
	<hr/>
	7,719
	<hr/>

**5. EMPLOYEE EXPENSES**

	<b>2012</b>
	<b>£</b>
Wages and salaries	500,050
Post employment expense for defined contribution plans	28,125
Social security costs	62,554
	<hr/>
	590,729
	<hr/>

As at 31 December 2012, the IIRC employed a total of seven employees. The average monthly number of employees during the period was made up as follows:

	<b>2012</b>
	<b>No.</b>
Executive	1
Other	3
	<hr/>
	4
	<hr/>

Additionally as at 31 December 2012, 19 staff members seconded from supporter organisations on a *pro bono* basis and two consultants were engaged by the IIRC.

**6. TAX**

**Components of tax expense**

	<b>2012</b>
	<b>£</b>
Current corporation tax charge	-
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**INTERNATIONAL INTEGRATED REPORTING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2012**

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**7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The operations of the IIRC expose the organisation to various financial risks, which are continuously monitored with a view to protecting the IIRC against the potential adverse effects of these financial risks.

**Credit risk**

Credit risk arises principally from cash and cash equivalents and trade receivables. The IIRC minimises its exposure by dealing with independently rated banks with a minimum rating of 'A'. The IIRC's trade receivables relate to Business Network participants, Council members and other organisations. The IIRC has no significant concentration of credit risk, with exposure spread over a large number of Business Network participants and countries throughout the world. Management reviews Business Network participants' balances regularly to ensure that the risk of exposure to bad debts is minimised.

**Liquidity risk**

The IIRC invoiced most of the Business Network participants in October 2012 for the period October 2012 to September 2013. Council members and other organisations are invoiced at the start of the calendar year in respect of Other Contributions. The IIRC receives the majority of its income at the start of the calendar year, and manages its liquidity risk by ensuring that it has sufficient working capital to meet its short term operating requirements.

Management of liquidity risk is achieved by monitoring budgets, forecasts and actual cash flows. The number of Pilot Programme Business Network participants, Council members and other organisations that provide voluntary contributions are continuously monitored to ensure adequate funding.

**Interest rate risk**

The IIRC maintains surplus funds in a treasury bank account. The average interest rate on this bank account is negligible. Both the current account and treasury bank account are classified as short term. Short term is defined as being three months or less. For a change in interest rates of 1%, the gross interest earned would be negligible.

**Currency risk**

The IIRC monitors currency risk closely and considers that its current policies meet its objectives of managing exposure to currency risk.

**8. FINANCIAL ASSETS AND LIABILITIES**

	<i>Carrying amount 2012 £</i>	<i>Fair value 2012 £</i>
<b>Financial assets</b>		
Cash and cash equivalents	772,436	772,436
Trade and other receivables	364,835	364,835
	<hr/>	<hr/>
<b>Financial liabilities</b>		
Deferred income	544,060	544,060
Trade and other payables	36,691	36,691
	<hr/>	<hr/>



**INTERNATIONAL INTEGRATED REPORTING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2012**

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**9. RELATED PARTIES**

**Related Party Transactions**

The IIRC was provided with insurance services by Clear Insurance Management Ltd for £3,797 for the period ended 31 December 2012. There is no balance outstanding at the period end. Clear Insurance Management Ltd may be considered a related party on the grounds that Paul Druckman is Chairman of Clear Group and a significant shareholder. The Board of Directors has authorised the IIRC's use of Clear Insurance Management Ltd in relation to the provision of insurance services prior to the provision of any services.

**Key management compensation**

The Directors received £345,424 for the 16 months ending 31 December 2012 (£28,125 of which relates to pension contribution in the 16 months ending 31 December 2012). The highest paid Director earned £345,424 for the 16 months ending 31 December 2012 (£28,125 of which relates to pension contribution for the 16 months ending 31 December 2012).

The Chairman received £nil for the period, as he is not remunerated. He is compensated for out of pocket expenses incurred while undertaking work on behalf of the IIRC.

The other Directors are not remunerated but may be reimbursed for out of pocket expenses incurred while undertaking work on behalf of the IIRC.

**10. TRADE AND OTHER RECEIVABLES**

	<b>2012</b>
	<b>£</b>
Receivable from Business Network participants and others	<u>364,835</u>

Amounts receivable from Business Network participants, Council members and other organisations are non-interest bearing and are generally on 15 day terms.

Trade receivables of £344,467 were past due but not impaired at the period end. These mostly relate to Business Network contributions for the second year for which there is no history of default.

The ageing of the trade receivable is as follows:

	<b>2012</b>
	<b>£</b>
0-30 days	20,368
30-60 days	9,981
60-90 days	319,000
Greater than 90 days	<u>15,486</u>

**11. PREPAYMENTS**

	<b>2012</b>
	<b>£</b>
Current	<u>2,752</u>

**INTERNATIONAL INTEGRATED REPORTING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2012**

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**12. CASH AND CASH EQUIVALENTS**

	<b>2012</b>
	<b>£</b>
Cash at bank	<u>772,436</u>

The above balance represents cash and cash equivalents for the purposes of the statement of cash flows as at 31 December 2012.

**13. ISSUED CAPITAL AND RESERVES**

The IIRC is a company limited by guarantee without any share capital. In the event of the IIRC being wound up, the contractual liability of each member is a maximum of £1 in respect of any unpaid creditors and liabilities.

The retained surplus reflects the accumulated surplus from the IIRC's activity to date, and is used to fund the current and future activity of the IIRC.

**14. TRADE AND OTHER PAYABLES**

	<b>2012</b>
	<b>£</b>
Payable to trade suppliers	3,952
Deferred income	544,060
Tax payable	<u>32,739</u>
	<u>580,751</u>

All trade payables balances are less than 30 days old.