INTEGRATED REPORTING ‹IR›

Financial Statements 2014

International Integrated Reporting Council (a company limited by guarantee)

Company registration number 07746254

Contents

Officers and professional advisors

Company Registration Number	07746254
Board of Directors	Peter Bakker Ian Ball Jane Diplock Paul Druckman Jessica Fries Mervyn King (Chairman) Christian Strenger Christianna Wood
Registered Office	10 Lincoln's Inn Fields London WC2A 3BP
Address	10 Lincoln's Inn Fields London WC2A 3BP
Auditor	Crowe Clark Whitehill LLP St. Bride's House 10 Salisbury Square London EC4Y 8EH
Bankers	HSBC Bank Plc. 69 Pall Mall London SW1Y 5EY

Directors' report

The Directors present their report and financial statements for the year ending 31 December 2014.

Principal activity and review of the business

The International Integrated Reporting Council ('IIRC') is a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. Its mission is to establish Integrated Reporting <IR> and integrated thinking within mainstream business practice as the norm in the public and private sectors. This mission is rooted in our vision of a world in which capital allocation and corporate behaviour are aligned to wider goals of financial stability and sustainable development through the cycle of <IR> and integrated thinking.

Launched in 2013, the *International <IR> Framework* (the 'Framework') encourages organizations to communicate how strategy, governance, performance and prospects lead to value creation over time. Key to this effort is an organization's understanding of its external environment and the capitals on which it relies or has an effect through its activities. In this Directors' Report, we apply several concepts outlined in the Framework, with a view to developing our first integrated report in 2016.

How we create value
The IIRC delivers its work through three principal areas of activity: *guiding, connecting and convening*. In 2014 we explained important Framework concepts and illustrated examples of leading practice at numerous events and through a range of media channels. We connected the principles of <IR> to business and investor priorities such as board effectiveness, corporate culture, regulatory change, evolving stakeholder expectations and climate change. Furthermore, we gathered vital participants in the reporting and investment chain to engage in meaningful dialogue to create a setting in which <IR> can thrive.

Strategic themes
Following the release of the Framework in December 2013, the IIRC moved into a new 'breakthrough phase' – our objective for which is to achieve a *meaningful shift towards early adoption of the Framework*. We have achieved significant momentum in this respect. The following six strategic themes provide the focus for IIRC activities to achieve this objective through 2017:

- Increase the pace and scale of <IR> adoption
- Maintain the International <IR> Framework so it continues to enhance the reputation of <IR> in the market, underpinned by leading practice and guidance
- Build a bridge from corporate reporting to capital allocation through 'integrated investment'
- Progress through dialogue: develop the Corporate Reporting Dialogue inspired by extensive innovation in corporate reporting globally
- Engage with the global policy and regulatory community to ensure <IR> is encouraged to flourish

- Develop a long-term, viable organization.

The capitals
To support our operations and deliver on our strategy, we rely primarily on four resources: *social and relationship, financial, intellectual* and *human* capital.

- Our relationships constitute our most critical asset. Through our Council members, Ambassadors, regional networks, business and investor programmes, and strategic partnerships, we amplify the voice of an impassioned few to thousands of like-minded advocates around the world. Beyond outreach, our partners also provide vital support in the form of research, funding, event hosting and other in-kind contributions.
- Through diversified funding sources – including cash and in-kind contributions from our extensive range of supporting organizations – and our conservative budget management approach, we ran a narrow deficit of £71K in 2014, in line with projections.
- Central to achieving our mission is our core intellectual property. Developed over three years, the Framework reflects multi-stakeholder input, global expertise and consensus building. Our intellectual capital also includes research studies and thought pieces prepared independently or with others, which provide a wide evidence base for the application and the benefits of <IR> and help to showcase leading practice.
- Our people, or human capital, are essential to driving our agenda forward with commitment and enthusiasm. A wide range of individuals contribute their time and energy to support the IIRC, lending diverse perspectives and an international presence. This includes the members of the core team, which as at 31 December 2014 numbered 28 members across 12 countries. Our talent includes valuable secondments from a range of organizations which extend our reach and expertise.

Performance and outputs
Through effective resource management in 2014, we were well positioned to deliver quality outputs to advance our agenda. Further information is available in our *<IR> Yearbook 2014*, available on our website – www.integratedreporting.org.

A particular achievement has been the range of organizations involved in <IR> networks. The high engagement of organizations that have been innovating in reporting was shown at the IIRC Pilot Programme Conference 2014 in Madrid in September, at which research was published on the benefits of adopting <IR> according to leading organizations in the network. The conference also witnessed the launch of the new <IR> Business Network.

Other networks have been introduced, covering insurance, technology and the public sector – the latter of which was launched at an event convened by the World Bank in November 2014. In addition, the <IR> Pension Fund Network was pioneered by five Australian superannuation funds. The network examines how the Framework can be applied by pension or superannuation funds within the context of industry regulation. With their longer-term investment strategies, members of this industry are logical champions for the <IR> movement.

Our *Creating Value* publication explained the implications and benefits of <IR> to boards of directors. Other publications included our *Assurance on <IR>* paper, which sparked progressive discussion and debate on the issues of information integrity and capacity-building within the assurance profession.

Through our geographically dispersed team, Council members and Ambassadors, as well as our extended networks, we raised the profile of <IR> at hundreds of events across the globe. These interactions provided valuable insights into the needs and perspectives of our many constituents, insights which will continue to inform the IIRC's work.

We initiated the *Corporate Reporting Dialogue* in June 2014 at the International Corporate Governance Network Annual Conference. This initiative, in which a number of leading international framework developers and standard setters participate, is designed to respond to market calls for greater coherence, consistency and comparability between corporate reporting frameworks, standards and related requirements, with particular relevance to <IR>.

The Corporate Reporting Dialogue aims to: (a) communicate about the direction, content and ongoing development of reporting frameworks, standards and related requirements; (b) identify practical ways and means by which respective frameworks, standards and related requirements can be aligned and rationalized; and (c) share information and express a common voice on areas of mutual interest, where possible, to engage key regulators.

Outcomes

The Framework encourages organizations to consider stocks and flows of capitals, recognizing that value creation overall can involve trade-offs between individual capitals and over time. For example, although the IIRC made a loss of £71K in 2014, this net depletion in financial capital was more than offset by enhancements in intellectual, human, and social and relationship capital. We have strengthened our knowledge base, both institutionally and individually. The breadth and quality of our relationships also prospered throughout the year.

The power of relationships and intellectual capital has led to welcome outcomes in relation to advancing advocacy and support for <IR>:

- A paper produced for the G20 by the largest accounting firms made the case for <IR> as an agent for long-term investment decisions including infrastructure
- <IR> is formally recommended in the revised *Global Governance Principles* issued in 2014 by the International Corporate Governance Network
- The Framework has been formally endorsed by the Integrated Reporting Committee of South Africa and as a recommendation by the Brazilian stock exchange BM&F BOVESPA
- Senior policy makers, regulators and capital markets authorities including in India, Japan, Malaysia, the Netherlands, Singapore and the UK have signalled that <IR> is a relevant evolution in corporate reporting for their market needs.

We have also contributed to the human capital of others. As our secondees return to their primary roles, they take useful expertise back to their organizations, extending capacity-building to our valued supporters.

We see the integrated report and the integrated thinking that underpins it as levers to more transformative change in macroeconomic systems. In particular, we aim to influence the discourse and behaviour that underpin the economic, capital market and corporate reporting systems that are essential to achieve a more efficient and productive allocation of all six capitals.

The IIRC's emphasis on value created for the organization *and for others* elevates the importance of broader societal and environmental imperatives in business and investor decision-making.

These imperatives include improving social justice, investing in infrastructure, mitigating and adapting to climate change, and living within planetary limits.

Outlook

We continue to believe that <IR> will best flourish under a market-led approach, one in which businesses and providers of financial capital see the inherent benefits of integrated thinking and reporting. We were pleased with market momentum in our Framework's first year.

With the release of the Framework in December 2013, our focus transitioned from developing principles and concepts of <IR> to promoting its implementation around the world. In considering our future prospects, we have a firm view of the risks and challenges involved. These include:

- The capacity and funding to deliver our ambitious strategy
- Risks to the perceptions of <IR> itself in relation to benefits or challenges in adoption by reporters around the world
- Insufficient engagement with investors, leading to challenges in achieving our vision.

With this risk profile in mind, we will continue to work towards delivery of our objective through focus on our six strategic themes over the next two years. This will include the following areas of work:

- Building pace and scale through participation in networks and organizations moving on their journey to <IR> adoption, including increasing our efforts to showcase leading practice; alongside this we will introduce an <IR> syllabus to meet an identified market need for training
- Further linking <IR> to major policy and regulatory agendas – including G20 and the UN sustainable development goals through COP 21
- Enhancing our outreach to investors with a view to identifying how <IR> can assist in investment decisions that align to long-term value creation, including as part of principles-based stewardship codes for institutional investors
- Continuing to engage in dialogue with frameworks and standard setters to promote aligned progress in corporate reporting.

We will continue to pursue diverse funding opportunities – including grants, programme-related contributions and other income sources – that are required to put the IIRC on a sustainable financial footing in the medium to long term. We will also strengthen our long-term viability by approving new institutional arrangements during the first half of 2015.

The growth of <IR> networks around the world, which include over 750 participants as at 29 May 2015, points to a 'renaissance in reporting'. As we reflect on our many accomplishments in 2014, and the opportunities that await in 2015 and beyond, we cannot help but be optimistic.

Directors

The Directors who served during the year were:

Peter Bakker
Ian Ball
Jane Diplock
Paul Druckman
Jessica Fries
Mervyn King
Christian Strenger (appointed 21 October 2014)
Christianna Wood

Statement as to disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's 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 29 May 2015 and signed on its behalf by

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Paul Druckman

Director

Statement of Directors' responsibilities

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 IIRC 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 IIRC 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 IIRC 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 IIRC and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of International Integrated Reporting Council

We have audited the financial statements of the International Integrated Reporting Council (IIRC) for the year ended 31 December 2014 which comprise the Comprehensive Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes numbered 1 to 12.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS), 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 the 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 2014 and of its deficit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

3 June 2015

Comprehensive income statement

For the year ended 31 December 2014

	Notes	2014 £	2013 £
Income	3	1,467,469	1,678,978
Staff costs		(1,095,027)	(908,709)
Travel and subsistence		(299,176)	(238,644)
Communications and engagement		(69,796)	(95,547)
Other costs		(75,637)	(125,174)
OPERATING (DEFICIT)/SURPLUS	4	(72,167)	310,904
Other non-operating income		1,195	1,398
(DEFICIT)/SURPLUS BEFORE TAX		(70,972)	312,302
Tax expense	6	(519)	(43)
(DEFICIT)/SURPLUS FOR THE YEAR		(71,491)	312,259
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(71,491)	312,259

Statement of changes in equity

For the year ended 31 December 2014

	Retained surplus £
Balance at 1 January 2013	559,272
Surplus for the year	312,259
Balance at 31 December 2013	871,531

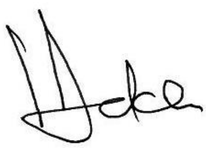
	Retained surplus £
Balance at 1 January 2014	871,531
Deficit for the year	(71,491)
Balance at 31 December 2014	800,040

Statement of financial position

As at 31 December 2014

	Notes	2014 £	2013 £
ASSETS			
CURRENT ASSETS			
Trade and other receivables	9	151,550	370,501
Prepayments and accrued income		18,820	11,016
Cash and cash equivalents	10	1,096,124	1,203,994
		1,266,494	1,585,511
TOTAL ASSETS		1,266,494	1,585,511
EQUITY			
ISSUED CAPITAL AND RESERVES			
Retained surplus		800,040	871,531
LIABILITIES			
CURRENT LIABILITIES			
Accruals and deferred income	11	345,887	684,643
Trade and other payables	11	120,567	29,337
		466,454	713,980
TOTAL EQUITY AND LIABILITIES		1,266,494	1,585,511

Approved by the Board and authorized for issue on 29 May 2015 and signed on its behalf by



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Paul Druckman

Director

Company registration number: 07746254

Statement of cash flows

For the year ended 31 December 2014

	2014 £	2013 £
Total operating (deficit)/surplus	(72,167)	310,904
Decrease/(increase) in trade and other receivables	210,692	(13,475)
(Decrease)/increase in trade and other payables	(247,765)	133,229
Cash generated from operations	(109,240)	430,658
Tax paid	(280)	(43)
CASH FLOWS FROM OPERATING ACTIVITIES	(109,520)	430,615
Interest received	1,650	943
Cash flows from investing activities	1,650	943
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(107,870)	431,558
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER 2013	1,203,994	772,436
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER 2014	1,096,124	1,203,994

Notes to the financial statements

1. Statement of compliance with International Financial Reporting Standards (IFRS)

Basis of preparation
The IIRC's financial statements have been prepared in accordance with IFRS 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 year presented, unless otherwise stated.

The functional and presentational currency of the IIRC is UK Sterling.

2. Accounting policies

Income recognition
Income is recognized 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.

Network contributions
Businesss Network and <IR> Technology Initiative contributions are accounted as income in the accounting period to which they relate.

Other contributions
Other contributions are accounted as income in the accounting period to which they relate.

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 recognized directly in equity.

2. Accounting policies (continued)

Tax

H.M. Revenue & Customs has provided confirmation that contributions from the Business Network participants, Council members and other organizations are not subject to corporation tax. The IIRC is required to pay corporation tax on any banking and investment income received in the year.

Trade and other receivables

Trade and other receivables are recognized by the IIRC based on the original invoice amount less an allowance for any uncollectible or impaired amounts. Other receivables are recognized 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 amortized cost, using the effective interest rate method.

Standards in issue not yet adopted

The financial statements have been prepared on the basis of accounting standards, interpretations and amendments effective from 1 January 2014. The IIRC has concluded that there are no relevant standards or interpretations in issue not yet adopted which will have a material impact on its affairs.

3. Income

	2014	2013
	£	£
Network contributions	746,142	884,596
Other contributions	721,327	794,382
	1,467,469	1,678,978

4. Operating surplus

Operating surplus/deficit is stated after charging the following:

	2014	2013
	£	£
Auditor's remuneration - audit services	6,000	4,750
Employee benefits expense	4,630	4,241
Net foreign currency exchange losses/(gains)	(2,805)	3,187

5. Employee expenses

	2014	2013
	£	£
Wages and salaries	754,520	681,125
Post employment expense for defined contribution plans	6,188	22,500
Social security costs	90,813	69,054
	851,521	772,679

The IIRC has an average monthly total of 25 staff members (2013: 27). Ten of these are employees (2013: nine), and 15 are seconded (2013: 18) by supporter organizations, of which 13 (2013: 18) are on a pro bono basis. In addition, three consultants (2013: three) were engaged by the IIRC.

The average monthly number of employees during the year was made up as follows:

	2014	2013
	No.	No.
Executive	1	1
Other	9	8
	10	9

6. Tax

Components of tax expense

	2014	2013
	£	£
Current corporation tax charge	519	43

7. Financial risk management objectives and policies

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.

The operations of the IIRC expose the organization 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 minimizes its exposure by dealing with independently rated banks with a minimum rating of 'A'. The IIRC's trade receivables relate to Business Network and Technology Initiative participants, Council members and other organizations. The IIRC has no significant concentration of credit risk, with exposure spread over a large number of organizations and countries throughout the world. Management reviews Business Network participants' balances regularly to ensure that the risk of exposure to bad debts is minimized.

Liquidity risk

The IIRC invoiced most of the Business Network participants in September 2014 for the year October 2014 to September 2015 in respect of <IR> Business Network contributions. Council members and other organizations 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 Business Network participants, Council members and other organizations 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

	Carrying amount		Fair value	
	2014	2013	**2014**	2013
	£	£	**£**	£
Financial assets				
Cash and cash equivalents	1,096,124	1,203,994	1,096,124	1,203,994
Trade and other receivables	151,550	370,501	151,550	370,501
Financial liabilities				
Accruals	81,388	64,908	81,388	64,908
Trade and other payables	120,567	29,337	120,567	29,337

9. Trade and other receivables

	2014	2013
	£	£
Receivable from Business Network participants and others	151,550	370,501

The ageing of the trade receivables is as follows:

	2014	2013
	£	£
0-30 days	69,550	22,800
30-60 days	10,000	28,298
60-90 days	30,395	25,522
Greater than 90 days	41,605	293,881

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

Trade receivables of £52,000 (2013: £347,701) were past due but not impaired at the year-end.

10. Cash and cash equivalents

	2014	2013
	£	£
Cash at bank	1,096,124	1,203,994

The above balance represents cash and cash equivalents for the purposes of the statement of cash flows as at 31 December 2014.

11. Trade and other payables

	2014	2013
	£	£
Payable to trade suppliers	89,761	7,525
Accruals	81,388	64,908
Deferred income	264,499	619,735
Payroll and indirect taxes	30,806	21,812
	466,454	713,980

The ageing of the trade payables is as follows:

	2014	2013
	£	£
0-30 days	71,190	7,525
30-60 days	15,915	-
60-90 days	-	-
Greater than 90 days	2,656	-

12. Related parties

Related Party Transactions

The IIRC was provided with insurance services by Clear Insurance Management Ltd for £3,998 (2013: £3,797) for the year ended 31 December 2014. There is no balance outstanding at the year end. Clear Insurance Management Ltd is a related party on the grounds that Paul Druckman is Chairman of Clear Group and a significant shareholder.

Key management compensation

Two (2013: one) Directors received remuneration which amounted to £340,615 (2013: £276,741) for the year ending 31 December 2014, of which £6,188 (2013: £22,500) relates to pension contribution in the year ending December 2014.

The Chairman received £nil (2013: £nil) for the year, 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 have not been remunerated but may be reimbursed for out-of-pocket expenses incurred while undertaking work on behalf of the IIRC.