Institute of Risk Management

Annual Report
and Financial Statements
Year ended 30 June 2018

irm

About IRM

IRM is the leading body for professional enterprise risk management (ERM). We are an independent, not-for-profit organisation that champions excellence in managing risk to improve organisational performance.

We do this by providing internationally recognised qualifications and training, publishing research and guidance and setting professional standards across the world. Our members work in all industries, in all risk disciplines and across the public, private and not-for-profit sectors.

A company limited by guarantee. Registered in England number 2009507

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Introduction from the Chairman, Socrates Coudounaris, CFIRM

Building for Future Success

"Welcome to the 2018 Annual Report which presents another year of excellent performance and continued success in building a sustainable platform for long-term profitable growth"

We reported a significantly improved operating surplus in 2016/17 and I am delighted to be able to do the same this year. With the unerring commitment of the excellent IRM staff, executive, trainers and examiners we are in a healthy cash-strong position, which Ian Livsey will expand upon in his CEO Report. As a consequence of our recent success, we have been able to invest in our products and services - including inward investment to help internal management reporting and externally on our public-facing branding and assets. We intend to invest further in the risk community over the coming years by, for example, increasing our output of thought leadership and guidance, developing our portfolio of qualifications and training, and by reinvigorating our regional and special interest groups.

It is the Board's objective that IRM should be recognised as the voice of the risk management profession. In 2017/18 we helped shape the risk management agenda with such initiatives as the Risk Agenda 2025 work that was published in November 2017, the Women in Risk initiative launched in March 2018, and our input into the FRC consultation on the UK Corporate Governance Code.

A particularly exciting development in this regard was the signing in October 2017 of a partnership agreement with the University of Cambridge Judge Business School Centre for Risk Studies. Over a period of two years, a team from Cambridge, working with IRM members and staff, will be conducting in-depth research into the practice of risk management both across the world and within different industry sectors. We expect this work to stimulate wide-ranging debate on the role and impact of the risk professional, and I look forward to the publication of their initial findings in late 2018.

Another key strategic focus for us over the recent past has been to grow our presence, influence and reach outside of the UK. I am pleased to be able to report that this effort is also starting to bear fruit: our qualifications are proving increasingly attractive to students in Africa and the Middle East; we are growing our relationships with training providers around the world whom we license to deliver our Fundamental of Risk Management (FoRM) course and who represent us in places we would otherwise struggle to service effectively; and we are supporting a cohort of risk managers across the globe to represent IRM locally –

We have the ambition to maximise opportunities from the inevitable challenges of a turbulent world economy and digital disruption. It is important as we develop this ambition that our governance arrangements are fit-for-purpose and in line with accepted good practice.

from Africa to Australia - including a growing network of Global Ambassadors in the APAC region (where we haven't previously had much of a footprint). They are all doing stellar work in positioning us as the one-stop-shop for all education and training needs and the voice of enterprise risk management (ERM).

Further activity is planned for 2018/19, with senior members of the executive team due to visit Asia, Africa and the Middle East during the course of the year, to support members, speak and represent IRM at international conferences, and build new business relationships.

I was also pleased to see that the 2017 Risk Leaders conference, held in central London in November 2017, included on the programme renowned speakers from around the world, including Professor Mervyn King from South Africa and Professor Howard Kunreuther from the Wharton School of Business, University of Pennsylvania. It is a testament to the reputation of IRM that such speakers are attracted to our conference; indeed, the annual Risk Leaders conference is becoming an increasingly important venue for the profession to meet, network and be stimulated by new thinking.

I am grateful for the work of my predecessor, Nicola Crawford, who resigned in May 2018. Following this I initiated a strategy away day involving the Board and the Senior Leadership Team. At this meeting we reviewed the initiatives set in place in 2016 to re-establish our finances. Noting the success of that strategy, as demonstrated by our recent financial performance, we will set plans to take advantage of the hard work carried out by the Executive in the past three years.

We have the ambition to maximise opportunities from the inevitable challenges of a turbulent world economy and digital disruption. It is important as we develop this ambition that our governance arrangements are fit-for-purpose and in line with accepted good practice. To that end a governance review was initiated towards the end of 2017. More about these initiatives will be able to be said in next year's Annual Report.

The task facing risk managers remains to be nimble, to embrace change in the macro and micro environments, to deal with political uncertainty and changing technology, and to make certain that their organisations are battle ready when it comes to imminent threats; they need to be one step ahead in this ever-changing world, in whatever sector they work, in whatever region around the globe. IRM is determined to be with them every step of the way.

I'm confident that ERM is vital to the success of the global economy. It is a pleasure to be involved with experts in the field, from Board directors to apprentices, in ensuring that not only are practitioners current and competent, but also that we as the professional institute are customer-led, providing leading-edge research and advice to better the profession.

Socrates Coudounaris, CFIRM
Chair

Review of the year from the Chief Executive, Ian Livsey

Consolidation and Growth

I am pleased to report that our results, consolidated for the first time as some of our activities have now been transferred to our wholly owned subsidiary IRM Trading Limited, show a surplus after taxation of £269,876. This is an increase of 5 % on the previous year. The net worth of the consolidated group increased to £859,432, an increase of 46 %.

Turnover grew by almost 9 % to its highest-ever level and similarly, despite investment in new products and services the cash balance finished the year at £1,947,545. This is the highest year-end level ever achieved by IRM.

The paying membership grew by 8 % and for the first time passed through the 6,000 barrier. Much of this growth has been with the IRMCert membership. During the year we launched the revised International Certificate in Financial Services Risk Management which was examined for the first time in June 2018. This attracted more than double the number of candidates than in previous years. There was also growth in the number of students sitting the International Certificate in Enterprise Risk Management.

“The paying membership grew by 8% and for the first time passed through the 6,000 barrier. Much of this growth has been with the IRMCert membership.”

> **The good performance for the year has of course depended on a lot of hard work from the directors, members and staff of IRM. I would like to thank them all for their efforts.**

We have developed a Certificate in Digital Risk Management with Warwick University. In keeping with the subject, it will be wholly examined using computer based testing. It will be examined for the first time in November 2019.

Also responding to demand from students we have introduced taught blended learning courses to support learners who want additional support to the distance learning programmes currently run. Initial take-up of these has been good and we are looking to increase these in the current year.

Our training department has expanded its range of products. We have introduced a licensing system for the delivery of our popular Fundamentals of Risk Management (FoRM) course for local delivery in countries where it is difficult for IRM to service directly. Also we are running new masterclasses in risk management.

The good performance for the year has of course depended on a lot of hard work from the directors, members and staff of IRM. I would like to thank them all for their efforts.

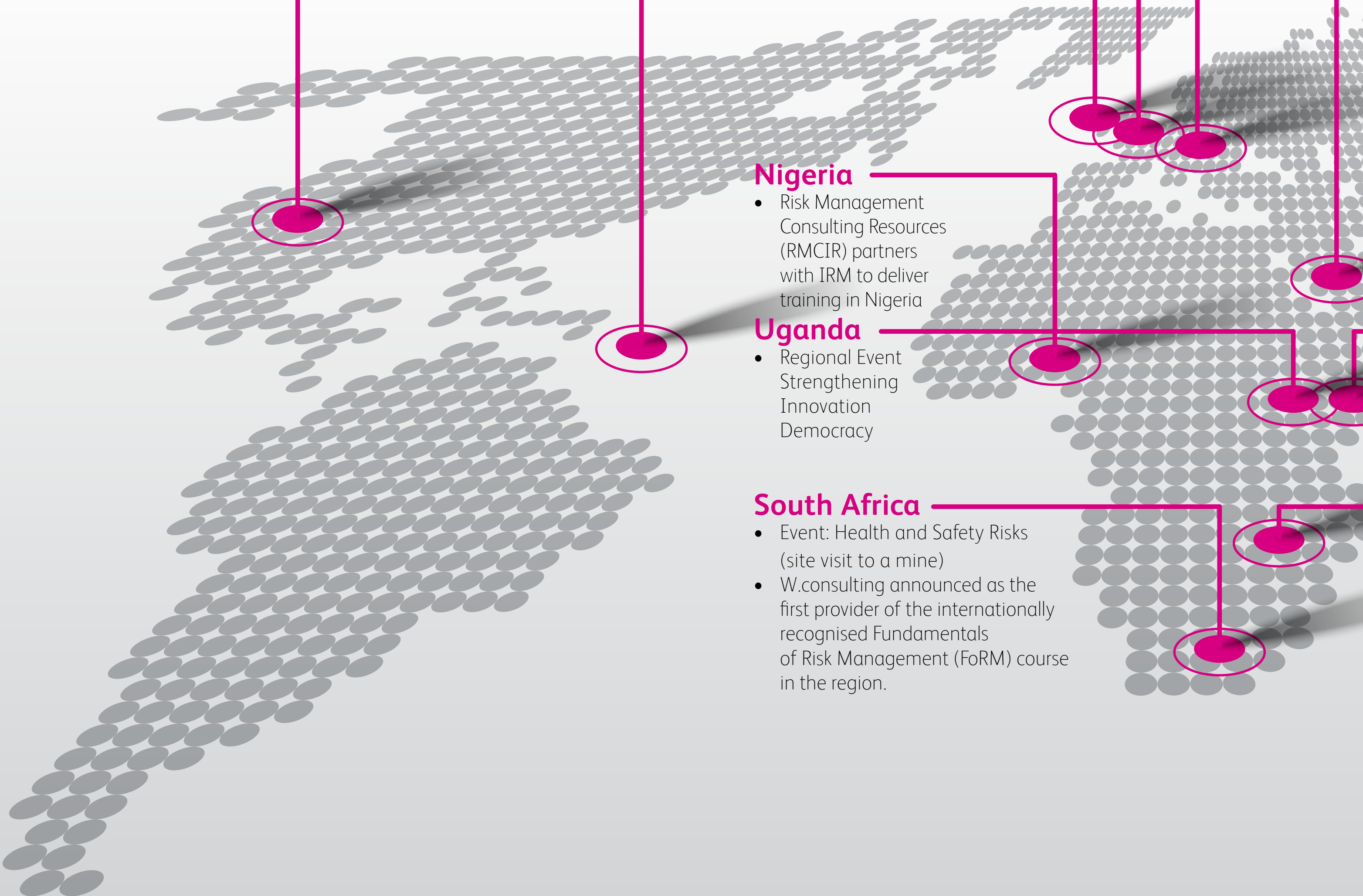
Going forward we still face many challenges, in particular it is very unclear how Brexit is going to affect us in the UK, but we are much better placed for whatever shocks come our way. We intend now to invest some of the surpluses of recent years to grow the existing parts of our operations both for members and customers and expand into new sectors and geographic regions as we identify potential opportunities.

Ian Livsey
Chief Executive

> **We intend now to invest some of the surpluses of recent years to grow the existing parts of our operations both for members and customers and expand into new sectors and geographic regions as we identify potential opportunities.**

Growing our global

Key activities, July 2017 – 2018



Americas
- Highest performing social media post for Audrey Onsumu IRMCert, PwC 90k people reached

Bermuda
Regional Group Events:
- Geopolitical Risk
- Artificial Intelligence and Insurance: A Glimpse of the Future Event
- Hurricane Advice

United Kingdom
- IRM hosts highest attended Risk Leaders event to date
- Astronomer Royal presents IRM Annual Lecture
- Barclays Risk Academy Announces 68 Learners to embark on the new International Certificate in Financial Services Risk Management

Ireland
- IRM supports EU Cyber Summit

Nigeria
- Risk Management Consulting Resources (RMCIR) partners with IRM to deliver training in Nigeria

Uganda
- Regional Event Strengthening Innovation Democracy

South Africa
- Event: Health and Safety Risks (site visit to a mine)
- W.consulting announced as the first provider of the internationally recognised Fundamentals of Risk Management (FoRM) course in the region.

Bahrain:
- First IRM FoRM course offered with Oasis Training in Arabic across the Gulf Cooperation Council region (GCC).

Hong Kong:
- Francis Lee CMIRM, one of the first IRM members to complete the Senior Executive Route.

Delhi:
- Mr Sonjai Kumar, CMIRM and Abhishek Paul, CMIRM announced as IRM ambassadors in Gurgaon, India. Acting as our local experts who will help students and professionals wanting to make a career in the risk profession.

footprint

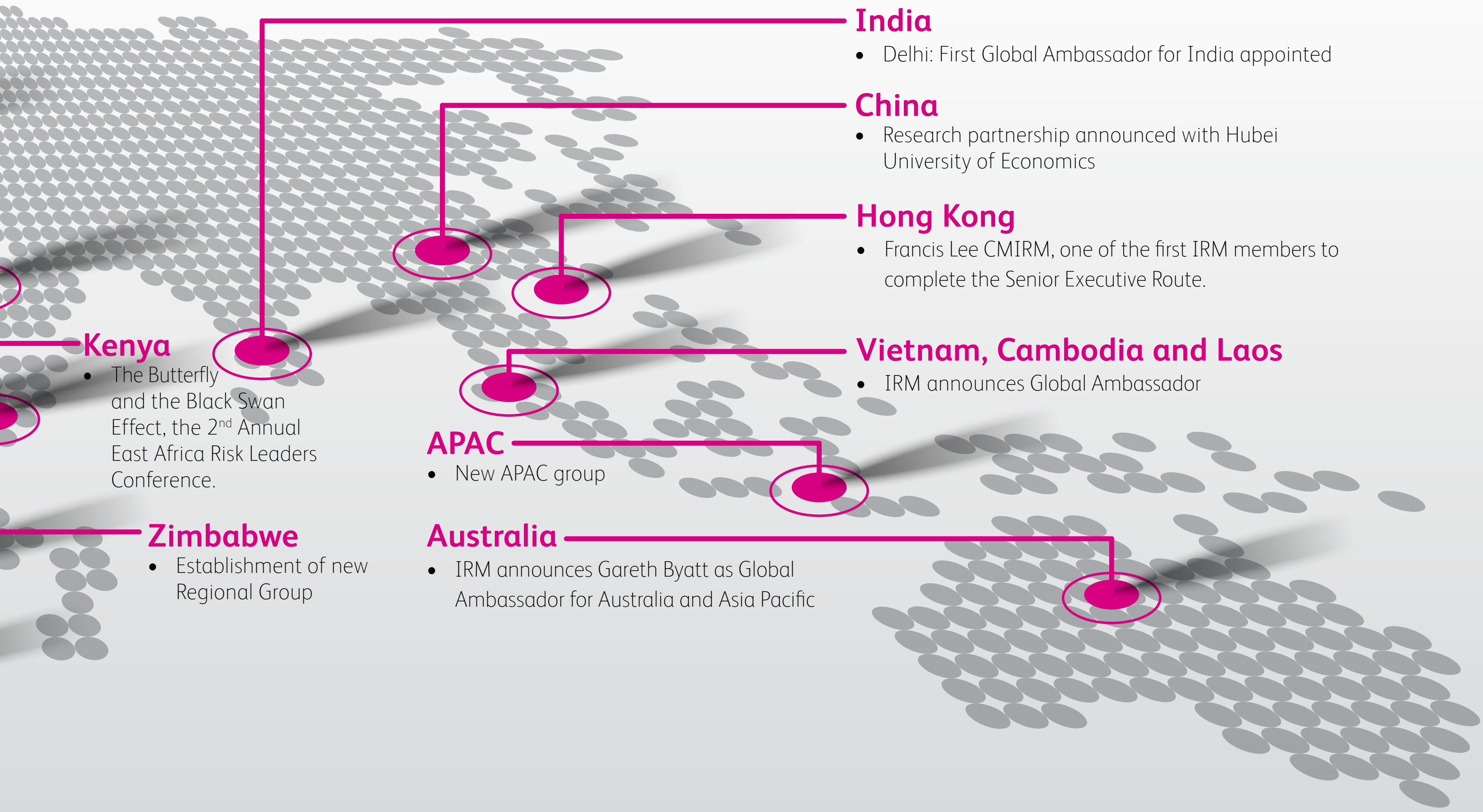
Switzerland

Regional Group Events:

- U.S. Liability Litigation traps for Swiss and European Companies
- How Do Risk Managers Become Influential?
- Delivering Effective ERM and Influencing Main Boards and Executive Committees

Middle East

- IRM announce partnerships approved training providers in Bahrain, Lebanon, UAE
- Event: Business imperatives for digitalisation, Qatar
- IRM member Adnan Abu AlHaija'a scoops Middle East Insurance Industry Awards



India

- Delhi: First Global Ambassador for India appointed

China

- Research partnership announced with Hubei University of Economics

Hong Kong

- Francis Lee CMIRM, one of the first IRM members to complete the Senior Executive Route.

Kenya

- The Butterfly and the Black Swan Effect, the 2nd Annual East Africa Risk Leaders Conference.

Vietnam, Cambodia and Laos

- IRM announces Global Ambassador

APAC

- New APAC group

Zimbabwe

- Establishment of new Regional Group

Australia

- IRM announces Gareth Byatt as Global Ambassador for Australia and Asia Pacific

Vietnam, Cambodia and Laos:

- Saman Bandara SIRM, Partner, Head of Insurance, Forensics and IT Risk & Analytics at EY Vietnam announced as Global Ambassador.

Nairobi:

- The Butterfly and the Black Swan Effect, the 2nd Annual East Africa Risk Leaders Conference.

London:

- Launch of the new International Certificate in Financial Services Risk Management in London. Over 60 key players from the financial services industry came together to hear from Barclays and IRM speakers.

Board of Directors

Officers and professional advisers

Socrates Coudounaris, CFIRM
Risk Management Director
RGA International Reinsurance Company
CHAIR

Clive Thompson, CFIRM
Project Director
Willis Towers Watson
DEPUTY CHAIR

Rahat Latif, CMIRM
Head of Enterprise Risk
Qatar Gas

Ray Flynn, CMIRM
Risk Management Consultant

Ian Livsey
CHIEF EXECUTIVE

Sarah Christman, CMIRM
Risk Director UK&I
Equifax

Iain Wright, CMIRM
Group Chief Risk Officer
Quilter plc
DEPUTY CHAIR

Helen Hunter-Jones, CMIRM
Head of Group Risk and Business Continuity
Network Rail

Mark Matthews, CFIRM
Risk Management Director
Ecclesiastical Insurance Office plc

Vinay Shrivastava, CFIRM
Director
Turner & Townsend

Dr. Maria Papadaki
Assistant Professor
The British University in Dubai

Mark Clegg, SIRM
Director Risk & Resilience
NG Bailey

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Waterstone Company
Secretaries Limited

COMPANY NUMBER
2009507

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Devonshire House
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London EC1M 7AD

BANKERS
Lloyds Bank plc
113 – 116 Leadenhall
Street
London EC3A 4AX

The Directors' Report

Year Ended 30 June 2018

The directors have pleasure in presenting their report and the financial statements of the Institute for the year ended 30 June 2018

Principal activities

The principal activities of the Institute are the international provision of risk management education, training and knowledge services.

Financial review

IRM is a not-for-profit organisation, committed to reinvesting any surpluses generated for the benefit of its members.

As IRM has transferred some of its activities to a wholly owned subsidiary IRM Trading Limited, consolidated accounts are presented this year.

The outturn for the year amounted to a surplus of £269,876 (2017: £257,038) as shown in the Income and Expenditure Account on page 18.

Turnover grew by almost 9 % and surplus before tax by 5 %. Within this qualifications income showed increases but turnover from training slightly decreased. However good cost control resulted in higher margins being obtained.

The net worth of the Institute at the year-end stood at £859,432 (2017 - £589,556) as shown in the Balance Sheet on page 19.

It is the policy of IRM to hold reserves at a level such that its core activities can be maintained during periods of less favourable financial or economic conditions, and that it can continue to fulfil its obligations to its members and those completing examinations. Given the nature of its activities, the Board decided the appropriate measure is cash (or near equivalents), rather than total net worth, which changes significantly over the year due to the cyclical nature of the business. The directors have set a minimum level for cash reserves at £650,000, which need to be in readily accessible accounts. At the year end the cash reserves were £1,947,545 (2017: £1,783,140). This is very close to the highest level held during the year.

Future commitments

The Institute is committed to implementing a new Customer Relationship Management (CRM) system during the year. This is expected to incur further costs of £13,901 in 2018/19.

Directors

The directors who have served on the Board since 1 July 2017 are:

Sarah Christman	Appointed 3 July 2018
Mark Clegg	Appointed 3 July 2018
Socrates Coudounaris	Deputy Chair to 10 May 2018. Chair from 10 May 2018
Nicola Crawford	Chair to 10 May 2018. Resigned 10 May 2018
Ray Flynn	Appointed 7 December 2017
Helen Hunter-Jones	
Patrick Keady	Resigned 29 November 2017
Rahat Latif	Appointed 7 December 2017
Ian Livsey	
Mark Matthews	
Kenneth McKeown	Deputy Chair to 7 December 2017, Retired 7 December 2017
Jose Morago	Vice Chair to 7 December 2017. Retired 7 December 2017
Maria Papadaki	Appointed 7 December 2017
Vinay Shrivastava	
Clive Thompson	Deputy Chair from 10 May 2017
Iain Wright	Deputy Chair from 10 May 2017

Directors' interests

There are no directors' interests requiring disclosure under the Companies Act 2006 other than as disclosed in note 17.

The Institute does not have a share capital and is limited by guarantee. In the event of the Institute being wound up the maximum amount each member is liable to contribute is £1.

Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Institute and of the income and expenditure of the Institute for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Institute's transactions and disclose with reasonable accuracy at any time the financial position of the Institute and to enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Institute and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Governance

The board of directors of the Institute is committed to the highest standards of corporate governance, which it believes are critical to business integrity and performance and to maintaining member and public confidence. During the past year the Board discharged its responsibilities in line with appropriate standards of corporate governance.

Appropriate policies and systems are in place to evaluate and treat the risks arising from the key activities of the Institute, enabling both advantages and threats to be handled to the overall benefit of the Institute.

Attendance record at board meetings during the year

Attendee	13/07/17	12/10/17	07/12/17	01/03/18	20/04/18	10/05/18
Socrates Coudounaris	✓	✓	✓	✓	✓	✓
Nicola Crawford	✓	✓	✓	✓	✓	X
Ray Flynn	N/A	N/A	✓	✓	✓	✓
Helen Hunter-Jones	✓	X	✓	✓	X	✓
Patrick Keady	✓	✓	N/A	N/A	N/A	N/A
Rahat Latif	N/A	N/A	✓	✓	✓	✓
Ian Livsey	✓	✓	✓	✓	✓	✓
Mark Matthews	✓	✓	✓	✓	✓	✓
Kenneth McKeown	✓	✓	N/A	N/A	N/A	N/A
Jose Morago	✓	✓	N/A	N/A	N/A	N/A
Maria Papadaki	N/A	N/A	X	✓	✓	✓
Vinay Shrivastava	✓	✓	✓	✓	X	X
Clive Thompson	✓	✓	X	✓	✓	✓
Iain Wright	X	✓	✓	✓	✓	✓

The Board balances the longer-term strategic direction of the Institute with the immediate operational requirements and delivery of the level of financial results that enable it to move forward positively towards its goals.

There are formal matters reserved for consideration and approval by the Board, and specific responsibilities are delegated to the committees and groups set up by the Board as permitted under the Articles of Association.

These various committees and groups report to the Board, where final responsibility rests.

The Board, through the Chief Executive, is responsible for ensuring that budgets and plans are prepared and that programmes of work are implemented. There are on-going processes embedded within the Institute's overall business operations, and addressed by senior management, which monitor the effective application of the policies, processes and activities related to internal control and risk management.

IRM defines risk as the possibility that an action and/or an event will affect IRM's ability to achieve its planned objectives. As a consequence of managing identified risks, our planned objectives are more likely to be achieved and the confidence of our internal and external stakeholders increased.

The Board has overall responsibility for the Institute's systems of internal control. Such systems are designed to meet the Institute's needs and to address the risks to which it is exposed, as would be expected by an organisation that has enterprise risk management at its heart. The systems mitigate, rather than eliminate, the risks faced by the Institute and can only provide reasonable and not absolute assurance against material mismanagement or loss.

The Board delegates the annual review of internal control processes and their effectiveness, to the Audit and Risk Committee. Such responsibility of the Committee is fulfilled by considering periodic reports from senior management including a risk register for the Institute. Senior management then monitor the risks and internal controls during the course of the year and advise the Audit and Risk Committee and in turn the Board of any significant developments. Necessary actions are taken to remedy any significant failings or weaknesses as they are identified when the Audit and Risk Committee considers the effectiveness of internal controls as reported by senior management and also from the external auditors in relation to financial internal controls. Senior management also provide the Audit and Risk Committee with a periodically updated Risk Register, as necessary, and such Risk Register is also reported to the Board as a key section of senior management's regular report on key performance indicators.

The members of the Audit and Risk Committee who served during the year were Jonathan Blackhurst, Ray Flynn (up to 13 September 2017), Ian Livsey, Mark Matthews, Ron Mendes, Anita Punwani, and Iain Wright (Chair). The Committee met five times.

A Remuneration Committee sets on-going policy for the pay and reward of staff and approves the salary and bonus of the Chief Executive. Membership of the committee comprises the Chair, Vice Chair and the two Deputy Chairs.

The Institute's Nominations Committee is responsible for ensuring that a formal, robust and transparent process exists for the selection of potential Board members and the appointment of committee chairs. Its duties include:

- reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board
- developing and recommending the selection criteria for assessing potential nominees to the Board;
- establishing and implementing a formal process for identifying potential candidates;
- fairly and objectively evaluating candidates against the agreed criteria and making suitable recommendations to the Board.

The members of the Nominations Committee during the year were, Mark Butterworth, Socrates Coudounaris, Nicola Crawford, Helen Hunter-Jones and Ian Livsey.

The Institute's Annual General Meeting takes place in London, in December, and formal notification together with the annual report and financial statements, is sent to members at least 14 working days in advance of the meeting. Most Board members are available for questions, both formally during the meeting and informally afterwards. Each item of business is a separate resolution. The collection and analysis of the votes are handled by the Company Secretary and the Institute's office.

Auditors

Kingston Smith LLP have served as auditors to the Institute since December 2012. A resolution proposing their re-appointment for 2018/19 will be put to the Annual General Meeting in December 2018.

Statement of disclosure to auditor

a) So far as directors are aware there is no relevant audit information of which the Institute's auditors are unaware, and

b) The directors have taken all reasonable steps in order to make themselves aware of any relevant audit information and to establish that the Institute's auditors are aware of that information.

This report has been prepared in accordance with the special provisions of Section 381 of the Companies Act 2006 relating to small companies.

Signed by order of the directors

Socrates Coudounaris, CFIRM
Chair

Approved by the directors on 11 October 2018

Independent Auditor's Report to the members of IRM

Opinion

We have audited the financial statements of the Institute of Risk Management ('the parent company') and its subsidiaries for the year ended 30 June 2018 which comprise the Consolidated Income and Expenditure Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2018 and of the group's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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;
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the group's and the parent company'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 directors either intend to liquidate the group or the parent company 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company's members as a body, for our work, for this report, or for the opinions we have formed.

Sandra De Lord (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP Statutory Auditor

October 2018

Devonshire House
60 Goswell Road
London, EC1M 7AD

Consolidated income and expenditure account

Year Ended 30 June 2018

	Notes	**2018**	2017
		£	£
Turnover	2	**3,563,495**	3,272,306
Cost of sales		**(1,225,888)**	(1,019,899)
Gross surplus		**2,337,607**	2,252,407
Administrative expenses		**(2,068,764)**	(1,998,813)
Operating surplus	3	**268,843**	253,594
Other interest receivable and similar income	4	**1,033**	3,444
Surplus on ordinary activities before taxation		**269,876**	257,038
Tax on surplus on ordinary activities	6	**–**	–
Retained surplus for the year		**269,876**	257,038

All of the activities of the Group are classified as continuing.

There are no recognised gains and losses other than those shown above.
The notes on pages 21 to 30 form part of these financial statements.

Balance sheet

30 June 2018

	Notes	GROUP 2018 £	GROUP 2017 £	Institute 2018 £	Institute 2017 £
Fixed assets					
Intangible assets	7	**195,537**	117,451	**195,537**	117,451
Tangible assets	8	**48,137**	85,930	**48,137**	85,930
Fixed asset investments	9	**–**	–	**1**	1
		243,674	203,381	243,675	203,382
Current assets					
Stocks	10	**11,859**	18,257	**11,859**	18,257
Debtors falling due within one year	11	**414,555**	311,826	**350,339**	311,926
Cash and cash equivalents		**1,947,545**	1,783,140	**1,731,208**	1,783,098
		2,373,959	2,113,223	**2,093,406**	2,113,281
Creditors: amounts falling due within one year	12	**(1,718,201)**	(1,697,048)	**(1,566,569)**	(1,697,048)
Net current assets		**655,758**	416,175	**526,837**	416,233
Total assets less current liabilities		**899,432**	619,556	**770,512**	619,615
Provisions for liabilities	13	**(40,000)**	(30,000)	**(40,000)**	(30,000)
Total assets		**859,432**	589,556	**730,512**	589,615
Reserves					
Income and expenditure reserve	18	**859,432**	589,556	**730,512**	589,615
Total reserves		**859,432**	589,556	**730,512**	589,615

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006.
Approved by the Board for issue on 11 October 2018 and signed on its behalf.

Socrates Coudounaris, CFIRM
Chair

Iain Wright, CMIRM
Director

Company Registration No. 2009507

Group cash flow statement

Year Ended 30 June 2018

		2018		2017
Cash Flows from operating activities	**£**	**£**	£	£
Surplus for the financial year	**269,876**		257,038	
Adjustments for:				
Amortisation of intangible assets	**49,483**		90,976	
Depreciation of tangible assets	**46,960**		52,189	
Interest receivable	**(1,033)**		(3,444)	
Decrease in stocks	**6,398**		858	
(Increase) in debtors	**(102,638)**		(50,891)	
Increase in creditors	**21,153**		266,930	
Increase in provisions	**10,000**		10,000	
Net cash generated from operating activities		**300,199**		623,656
Cash flows from investing activities				
Purchases of intangible assets	**(127,569)**		(92,545)	
Purchases of tangible assets	**(9,167)**		(2,416)	
Interest received	**942**		4,100	
Net cash outflow from investing activities		**(135,794)**		(90,861)
Net increase in cash and cash equivalents		**164,405**		532,795
Cash and cash equivalents at beginning of year		**1,783,140**		1,250,345
Cash and cash equivalents at end of year		**1,947,545**		1,783,140

1 Accounting policies

1.1 Company Information

Institute of Risk Management is a company limited by guarantee, incorporated in England and Wales. The address of its registered office and principal place of business is disclosed in the company information.

1.2 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the Group.

Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared on the historical cost convention.

The directors have prepared forecasts for the foreseeable future and consider it appropriate to prepare the accounts on a going concern basis.

The consolidated (group) financial statements comprise the Institute and its wholly owned subsidiary IRM Trading Limited. The results of the trading subsidiary company are presented in the Consolidated Income and Expenditure account and consolidated balance sheet on a line-by-line basis. The Institute of Risk Management has not prepared its own Income and Expenditure accounts as permitted by Section 408 of the Companies Act 2006.

1.3 Turnover

Turnover comprises income from the following revenue streams: membership subscriptions, qualification fees, attendance at professional events and short educational courses, royalties and publication income from the sales of text books and other professional publications, and other income, all excluding value added tax.

The following revenue categories are recognised in the period to which they relate; subscriptions, qualification fees, conference fees, other income, sponsorship and advertising fees. Revenue is recognised at the fair value of the consideration receivable for services provided when the amount of revenue can be measured reliably and the service is delivered to the purchaser. As such some of these categories of income are deferred. The Group considers the amounts deferred do not represent a financing arrangement so are stated at their actual values less any settlement discounts or other adjustments to recoverable amounts.

Income from qualifications represents predominately examinations income and is recognised in the period in which the examination is sat.

1.4 Intangible assets

Intangible assets comprise the costs of developing qualifications, software and website and computer systems development costs.

Assets are measured at initial cost less subsequent depreciation and any impairment losses. Amortisation and depreciation is recognised so as to write off the cost of assets over their useful lives on the following bases:

Development of qualifications	- the examination period over which the qualifications will be tested
CRM computer system	- five years on a straight line basis
Website and other software	- three years on a straight line basis
Assets in course of development	- not depreciated until brought into use

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are initially measured at cost and subsequently at cost less depreciation and any impairment losses. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life on the following bases:

Fixtures, fittings & equipment	- three years on a straight line basis
Leasehold improvements	- over the life of the lease on a straight line basis
Computer hardware	- three years on a straight line basis

Items costing less than £1,000 may be expensed immediately in the Income and Expenditure Account.

1.6 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in the Income and Expenditure Account.

A subsidiary is an entity controlled by the Institute. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

The Institute owns 100 % of a subsidiary company.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. The selling price is estimated as stock is not sold directly but is instead included as part of the qualifications package, for which a larger sum is paid.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in the income and expenditure account. Reversals of impairment losses are also recognised in the Income and Expenditure Account.

1.8 Cash and cash equivalents

Cash and cash equivalents include in hand and current and fixed term deposits with banks, with a maturity of three months or less.

1.9 Financial instruments

The Group only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction values and subsequently measured at their settlement value.

1.10 Provisions

Provisions are recognised when the Group has a legal or constructive present obligation as a result of a past event; it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in income or expenditure in the period it arises.

1.11 Pensions

The Group operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the Income and Expenditure Account in the year they are payable.

1.12 Leasing
Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the income and expenditure account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.13 Employee benefits
The costs of short term employee benefits are recognised as a liability and an expense. The cost of any material unused holiday entitlement is recognised in the period in which the employee's services are received. Termination benefits are recognised immediately as an expense when the Group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Foreign exchange
Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the Income and Expenditure Account for the period.

1.15 Critical accounting estimates and areas of judgement
In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements:

The Group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile of debtors and historical experience. See note 11 for the net carrying amount of the debtors and associated impairment provision.

Provisions have been made for dilapidations. These provisions are estimates and the actual costs and timing of future cash flows are dependent on future events. The difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

The annual amortisation charge for intangible and tangible assets is sensitive to changes in the estimated lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See notes 7 and 8 for the carrying amount of the fixed assets and for the useful economic lives for each class of asset.

2 Turnover split

The turnover was in the following geographic regions:	2018 £	2017 £
United Kingdom	**2,616,914**	2,547,690
Overseas	**946,581**	724,616
	3,563,495	3,272,306

All turnover is related to the supply of risk management services.

3 Operating surplus

	2018 £	2017 £
Operating surplus is stated after charging:		
Depreciation and amortisation of tangible and intangible assets	**96,443**	143,165
Auditor's remuneration current year	**13,800**	9,500
Prior year over accrual	**–**	(919)
Non audit services	**19,022**	3,000
Operating lease charges	**109,508**	108,967

4 Investment income

	2018 £	2017 £
Bank interest	**1,033**	3,444

5 Directors and staff costs

Directors' emoluments	2018	2017
	£	£
Payments as employees	**137,393**	119,406
Total directors' emoluments, including pension contributions	**143,613**	125,201

Apart from the Chief Executive all the directors on the board are volunteers and are not remunerated for their services.

Staff costs, including directors	2018	2017
	£	£
Wages and salaries	**1,089,894**	1,057,401
Social security costs	**122,129**	114,327
Pension contributions	**45,729**	39,447
Severance payments	**17,775**	–
Consultancy fees and short-term contractors	**113,666**	102,050
	1,389,193	1,313,225

The average number of staff employed during the year was 25 (2017: 26).

6 Taxation

The Institute is a mutual trader and is therefore not liable to corporation tax on surpluses generated from mutual trade. UK corporation tax is payable on surpluses arising from non-mutual trade activities.

	2018	2017
	£	£
UK corporation tax payable	**–**	–
Reconciliation of effective tax rate:		
Surplus of the year before taxation	**269,876**	257,038
Tax using UK corporation tax rate @19 % (2017: 19 %)	**51,276**	48,837
Mutual trading activities not subject to tax	**(26,770)**	(48,837)
Utilisation of current year group losses	**(24,495)**	–
Utilisation of prior year tax losses	**(11)**	–
Tax charge as above	**–**	–

The Institute has tax losses arising from its non-mutual trade activities which are available to be carried forward for use against surpluses arising from non-mutual trade activities.

No deferred tax asset is recognised as it is not considered that there will be significant taxable profits against which the unutilised tax losses can be retrieved.

7 Intangible assets – Group and Institute

	Course development costs	Software	Website development	CRM System (In development)	TOTAL
	£	£	£	£	£
Cost					
At 1 July 2017	131,040	107,952	221,736	71,405	532,133
Additions	63,550	8,988	10,370	44,661	127,569
At 30 June 2018	194,590	116,940	232,106	116,066	659,702
Depreciation					
At 1 July 2017	89,636	103,362	221,684	–	414,682
Charge for the year	42,764	6,667	52	–	49,483
At 30 June 2018	132,400	110,029	221,736	–	464,165
Net Book Value					
At 30 June 2017	41,404	4,590	52	71,405	117,451
At 30 June 2018	**62,190**	**6,911**	**10,370**	**116,066**	**195,537**

8 Tangible fixed assets – Group and Institute

	Computer equipment	Fixtures, fittings and equipment	Leasehold improvements	TOTAL
	£	£	£	£
Cost				
At 1 July 2017	46,822	57,347	153,892	258,061
Additions	9,167	–	–	9,167
At 30 June 2018	55,989	57,347	153,892	267,228
Depreciation				
At 1 July 2017	42,883	39,148	90,100	172,131
Charge for the year	5,747	9,316	31,897	46,960
At 30 June 2018	48,630	48,464	121,997	219,091
Net book value				
At 30 June 2017	3,939	18,199	63,792	85,930
At 30 June 2018	**7,359**	**8,883**	**31,895**	**48,137**

9 Fixed asset investments

	2018	2017
	£	£
Investment in subsidiary	**1**	1

Holdings of more than 20%

The Institute holds more than 20 % of the share capital of the following companies:

Company	Registered Office	Country of registration or incorporation	Shares Held Class	%
Subsidiary undertakings				
IRM Trading Limited	2nd Floor, Sackville House, 143-149 Fenchurch Street, London, EC3M 6BN	England and Wales	Ordinary	100

10 Stocks – Group and Institute

	2018	2017
	£	£
Books and materials	**11,859**	18,257

11 Debtors:
amounts falling due within one year

		Group		Institute
	2018	2017	**2018**	2017
	£	£	**£**	£
Trade debtors	**195,578**	99,841	**11,893**	99,841
Amounts due from group undertakings	**–**	–	**–**	100
Other debtors	**134,517**	15,888	**133,071**	15,888
Prepayments and accrued income	**84,460**	196,097	**205,375**	196,097
	414,555	311,826	**350,339**	311,926

Group financial assets carrying amounts included in the above are £330,095 (2017: £115,729).
There were no impairment provisions at the year end (2017: £nil).

12 Creditors:
amounts falling due within one year

	Group		Institute	
	2018	2017	**2018**	2017
	£	£	**£**	£
Trade creditors	**142,160**	145,496	**103,552**	145,496
Amounts due to group undertakings	**–**	–	**3,027**	–
Other creditors	**29,104**	8,278	**29,104**	8,278
Taxation and social security	**122,350**	109,837	**89,744**	109,837
Deferred income	**1,151,233**	1,177,953	**1,074,854**	1,177,953
Accruals	**273,354**	255,484	**266,288**	255,484
	1,718,201	1,697,048	**1,566,569**	1,697,048

Group financial liabilities carrying amounts included in the above are £398,944 (2017: £415,769).

13 Provision for liabilities – Group and Institute

	Dilapidations
	£
At 1 July 2017	30,000
Additional provisions for the year	10,000
At 30 June 2018	**40,000**

As part of the Group's property leasing arrangements there is an obligation to return the property to an agreed condition at the end of the lease. The cost is charged to the income statements as the obligation arises. The provision is expected to be utilised when the lease terminates.

14 Pension costs

	2018	2017
	£	£
Defined contribution		
Contributions payable by the Institute for the year	**45,729**	39,447

The pension creditor at 30 June 2018 was £145 (2017: £2,355)

15 Share capital

The Institute does not have a share capital and is limited by guarantee. In the event of the Institute being wound up the maximum amount which each Member is liable to contribute is £1.

16 Financial commitments

At 30 June 2018 the Group was committed to making the following payments under operating leases.

	2018	2017
	£	£
Land and buildings		
Due: Within one year	**119,480**	119,480
Between two and five years	**9,957**	119,480
Other equipment		
Due: Within one year	**6,977**	2,669
Between two and five years	**15,315**	10,675
After five years	**–**	2,002

17 Related party relationships and transactions

Transactions with directors

During the year the Institute reimbursed non-executive directors a total of £9,184 (2017: £2,465) for out of pocket expenses relating to costs incurred in carrying out the Institute's business.

During the year Socrates Coudounaris, a director of the Institute, received £310 (2017: £522) for examiner fees.

Companies of which board members are employees sometimes purchase IRM Group services on normal third party terms.

18 Statement of income and retained earnings

	£
Total reserves brought forward 1 July 2017	589,556
Retained surplus for the year by Institute of Risk Management (company only)	165,391
Retained surplus from other group company	104,485
Total reserves carried forward 30 June 2018	**859,432**

19 Future commitments

The Institute is committed to implementing a new CRM (Customer Relationship Management) system during the year. This is expected to incur further costs of £13,901 (2017: £62,122) in 2018/19.

Consolidated detailed income and expenditure account

Year Ended 30 June 2018

	2018 £	2018 £	2017 £	2017 £
Turnover				
Membership and member services		**638,925**		672,181
Qualifications		**1,781,491**		1,393,641
Training and accreditation		**1,041,680**		1,077,207
Events and corporate sponsorship		**77,888**		89,399
Thought leadership and sundries		**23,511**		39,878
		3,563,495		3,272,306
Cost of sales				
Membership and member services	**135,406**		104,628	
Qualifications	**476,929**		354,478	
Training and accreditation	**448,511**		479,519	
Events and corporate sponsorship	**67,582**		28,225	
Thought leadership and sundries	**67,192**		27,193	
Marketing and PR	**30,268**		25,856	
		(1,225,888)		(1,019,899)
Gross Surplus		**2,337,607**		2,252,407
Administrative expenses				
Salaries and other staff costs	**1,524,446**		1,445,690	
Premises and office costs	**325,727**		338,639	
Depreciation	**53,679**		106,532	
Other costs	**164,912**		107,952	
		(2,068,764)		(1,998,813)
Operating Surplus		**268,843**		253,594
Other interest receivable and similar income		**1,033**		3,444
Surplus before and after taxation		**269,876**		257,038

This page does not form part of the audited financial statements.

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