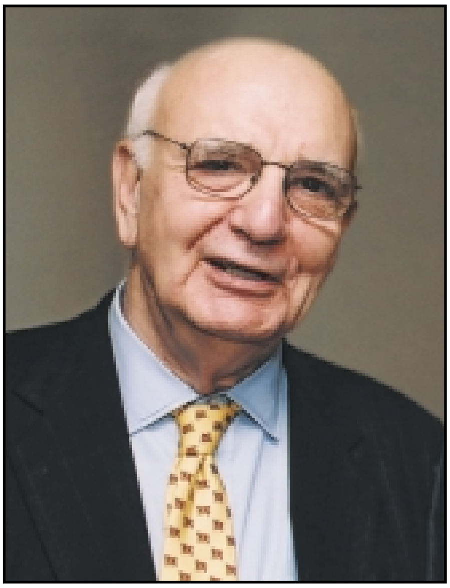
ANNUAL REPORT 2002

International Accounting Standards Committee Foundation

International Accounting Standards Board®

Table of Contents



Paul A. Volcker
Chairman of the Trustees

We are at a truly critical point in the history of accounting. Recent corporate failures highlight the importance of good financial reporting, most immediately to individual investors but more broadly to the effective functioning of global markets. For much of the 1990s, policy makers in the developed economies, and particularly the United States, have pointed with pride to the effectiveness of their financial reporting systems and urged emerging economies to adopt their model. The analysis was straightforward. Better accounting standards, more effective auditing, and improved standards of corporate governance would reduce vulnerability to financial crises and improve the allocation of capital. Perhaps that emphasis was overdone; in my view other systemic factors were at play. Surely the message was, and is, appropriate. What the events of the past year have demonstrated so conclusively is that the message needs to be heeded in the industrialised world as much as the developing world.

Reliable and effective financial reporting must begin with accounting standards that are consistent, comprehensive, and based on clear principles, fairly reflecting underlying economic reality. Building on that structure, accounting and auditing practices must be able to translate those standards in the circumstances of individual public companies in a manner that results in understandable and timely reports. Finally, a legislative and regulatory framework needs to assure discipline and consistency in developing and applying accounting and auditing standards.

Reliable and effective financial reporting must begin with accounting standards that are consistent, comprehensive, and based on clear principles, fairly reflecting underlying economic reality.

Plainly, the events of 2002 have provided too many examples of failures of accounting and auditing standards in the United States and elsewhere. At the same time, the case for action and reform has never been clearer.

REASON FOR OPTIMISM

In this environment, the IASC Foundation and its standard-setting body, the International Accounting Standards Board (IASB), have a central role to play in improving the infrastructure behind the world's integrating capital markets. In particular, developments over the past year and more have strongly reinforced the logic of achieving and implementing high quality international accounting standards, based on clearly articulated principles.

Steps taken by countries throughout the world towards adopting International Financial Reporting Standards (IFRSs), as determined by the IASB, provide tangible evidence of a growing consensus on the need for common accounting standards. Specifically, in July, the European Union adopted a regulation that will require the use of IFRSs for the large majority of EU publicly traded companies by 1 January 2005. Following that announcement, and resulting actions, other jurisdictions have proposed similar plans to adopt IFRSs in the next five years (see Table overleaf).

IFRSs AROUND THE WORLD

IFRSs PERMITTED

ARUBA
AUSTRIA
BELGIUM
BERMUDA
BOLIVIA
BOTSWANA
CAYMAN ISLANDS
DENMARK
DOMINICA
EL SALVADOR
ESTONIA
FINLAND
GERMANY
HONG KONG
HUNGARY
LAOS
LATVIA
LESOTHO
LITHUANIA
LUXEMBOURG
MYANMAR
NAMIBIA
NETHERLANDS
NETHERLANDS ANTILLES
RUSSIA
SOUTH AFRICA
SWAZILAND
SWITZERLAND
TURKEY
UGANDA
ZAMBIA
ZIMBABWE

IFRSs REQUIRED FOR ALL DOMESTIC LISTED COMPANIES

ARMENIA
BAHAMAS
BANGLADESH
BARBADOS
BRUNEI DARUSSALAM
COSTA RICA
CROATIA
CYPRUS
DOMINICAN REPUBLIC
ECUADOR
EGYPT
ESTONIA
GEORGIA
GUYANA
HAITI
HONDURAS
JAMAICA
JORDAN
KENYA
KUWAIT
LEBANON *(plus unlisted banks & financial institutions)*
MACEDONIA
MALAWI
MALTA
MAURITIUS
NEPAL
OMAN
PANAMA
PAPUA NEW GUINEA
PERU
TRINIDAD & TOBAGO
YUGOSLAVIA

IFRSs REQUIRED FOR SOME DOMESTIC LISTED COMPANIES

BAHRAIN *(for banks)*
CHINA
HUNGARY
ROMANIA *(for companies of national importance. From 2005 for all large companies)*
UKRAINE *(for banks)*
UNITED ARAB EMIRATES *(for banks)*

PLANNING TO REQUIRE IFRSs FOR ALL DOMESTIC LISTED COMPANIES

FROM 2003
BULGARIA
GREECE *(annual, but not 2003 interim)*
KYRGYZSTAN
TAJIKISTAN
UKRAINE

FROM 2004
RUSSIA
TANZANIA

FROM 2005
AUSTRALIA
AUSTRIA
BELGIUM
DENMARK
FINLAND
FRANCE
GERMANY
ICELAND
IRELAND
ITALY
LIECHTENSTEIN
LUXEMBOURG
NETHERLANDS
NORWAY
PORTUGAL
SPAIN
SWEDEN
UNITED KINGDOM

AFTER ACCESSION TO THE EU
CZECH REPUBLIC
HUNGARY
LATVIA
LITHUANIA
POLAND
SLOVAK REPUBLIC
SLOVENIA

FROM 2007
NEW ZEALAND

This information has kindly been provided by Deloitte Touche Tohmatsu (2003)

> The Trustees also support efforts by the IASB to examine issues particular to emerging economies and to small and medium-sized enterprises.

Adding momentum to the efforts, the Financial Accounting Standards Board (FASB) in the United States is now actively engaged with the IASB in the process of convergence. More broadly, other national standard-setters, the FASB, and the IASB are working together to reach common solutions to the significant intellectual challenges facing the accounting standard-setters today. The Trustees enthusiastically support these efforts to work together to eliminate differences among international and national accounting standards and to reach common conclusions on current and future projects.

The Trustees also support efforts by the IASB to examine issues particular to emerging economies and to small and medium-sized entities.

The Trustees of the IASC Foundation are also initiating further steps to promote the goal of ensuring consistent implementation of IFRSs worldwide. To that end, the Trustees are considering sponsoring a proficiency-testing programme for IASB standards and are expanding resources devoted to educational activities.

HEIGHTENED URGENCY, SOLID PROGRESS

The changing operating environment has added urgency to the IASB's task. The conceptual need for a high quality set of international accounting standards is apparent. Moreover, in 2002, the timetables set in the countries of the European Union and elsewhere that are adopting international standards provide early deadlines for the IASB. To pave the way for the

European requirement the IASB must have a stable set of standards in place by early 2004 to ensure reasonably smooth implementation.

The Trustees of the Foundation responsible for the oversight of the IASB have been satisfied by the manner in which the IASB is recognising and is responding to the challenges before it. During the past 12 months, the IASB has published proposals to improve existing standards and to address important issues of share-based payment and business combinations.

It has continued strong consultation procedures, engaging various interested parties throughout the world on some of the most challenging issues facing accounting today. The IASB met both its Standards Advisory Council and national standard-setters with which it has formal liaison relationships three times each during 2002. The IASB also hosted the first of what will be an annual conference with the world's national standard-setters. Various project-specific advisory groups are in place to help inform the IASB's discussions. By announcing its intention to host public roundtables in March 2003 on the standards related to financial instruments, the IASB has also recognised the importance of making special efforts to understand all points of view before finalising new proposals in particularly controversial areas.

STRENGTHENING THE FINANCIAL BASE

Providing a diversified and reasonably assured source of funding in order to meet the organisation's operating requirements is fundamental to safeguarding the independence of the IASB's decision-making processes. In 2002, the IASC Foundation had total expenditure of £12.0 million. That compares with spending of £9.4 million in 2001, when the IASB met for only nine months and began staffing itself fully in the second half of the year. The budget remains largely determined by the need to pay the salaries of the IASB members and qualified technical staff and by the need to support significant travel costs as part of the process of consultation globally.

We have been able to fund the operations of the IASC Foundation and the IASB through financial commitments of up to five years made by a diverse group of leading accounting firms, industrial corporations, financial institutions, central banks, and other international and governmental organisations. In 2002, 173 companies and organisations from 30 countries provided £11.7 million of support. All organisations that had financial commitments for 2002 fulfilled their pledges to the IASC Foundation and six others have joined the donor list for the first time. A more limited amount of funds is obtained from the sale of the IASB's publications and materials.

The Trustees have begun consideration of longer-term funding options beyond existing financial commitments that for the most part extend through 2005. The goal must be to maintain an assured source of funding free from concern that financial pressure could compromise the independence of the IASB's decision-making. The recent Sarbanes-Oxley Act in the United States has provided such a mechanism for the US FASB by mandating an assessment for companies listed on US stock exchanges. As one option, the practicality of such an approach on an international scale will need to be assessed.

MAINTAINING A STRONG TEAM

The success of the organisation depends upon the willingness of highly responsible and experienced individuals to serve on the Trustees and on the strength of the IASB and its staff, and our success in maintaining close and effective consultation with both national standard-setters and related parties.

In 2002, three of the Foundation's initial Trustees, Toshikatsu Fukuma, Hilmar Kopper, and William Steere, stepped down. I am greatly appreciative of the extraordinary efforts that they made on behalf of the organisation. We are, however, delighted to welcome Toru Hashimoto, former Chairman, Fuji Bank, Japan; Max Dietrich Kley, Deputy Chairman, BASF AG, Germany; and Dennis Weatherstone, former Chairman, J.P. Morgan & Co., as new Trustees for 2003.

In June, Robert Herz left his role as part-time member of the IASB to become Chairman of the US FASB. We look forward to working with him in his new role, with appreciation for the energy and wisdom he has brought to the objective of working toward a consensus on international standards. To replace Bob as a part-time member, the Trustees selected John Smith, Partner, Deloitte & Touche. John has established himself as a leading expert on standard-setting issues in general, and those related to financial instruments in particular. He has already proved a great asset to the IASB.

Recent events and the growing complexity of today's financial instruments and market conditions underscore the intellectual and practical challenges of adopting consistent, high quality, globally-accepted accounting standards. Moreover, sound and widely accepted accounting standards can be only one ingredient necessary for reliable financial reporting and effective corporate governance. However, two years into the restructured IASC Foundation and IASB's work, I sense real progress and grounds for growing optimism, including prospects for better convergence on standards internationally. Reaching our goal will require intense effort and consultation in the months ahead. But circumstances require nothing less if the credibility of accounting is to be restored to the position necessary to support the effective operation of the world's capital markets.

Paul A. Volcker
Chairman of the Trustees

Sir David Tweedie
Chairman of the IASB

The events of 2002 have added both urgency and momentum to the work of the IASB. At the beginning of 2002 the IASB had recruited almost all of its complement of technical staff and was beginning to move swiftly into the review of the inherited IASC standards. The logic behind the need for a single set of high quality global accounting standards for the world's integrating capital markets has been clear for some time. However, the collapse of Enron and other corporate failures that raised questions about financial reporting shocked the financial community and led to the re-evaluation of financial reporting practices that had once been thought to be sound. By the end of the year questions had been asked not only about Enron but also about a disquieting number of US companies that could be regarded as household names. Share prices of companies whose accounting policies were questioned quickly nose-dived and concern was expressed about the entire financial reporting process.

2 Some of the criticism following Enron's collapse has been misdirected. Initially the criticism was thrown unfairly at the accounting standards of the United States. While accounting standards can always be (and are being) improved, the financial reporting disasters reported in 2002 were primarily a failure of corporate governance. Indeed, in 2002, 330 US listed companies had to restate their financial reports to comply with US accounting practices, up from 270 the previous year.*

A year of momentous developments

The logic behind the need for a single set of high quality global accounting standards for the world's integrating capital markets has been clear for some time.

Many of the failures involved serious lapses by executive directors, non-executive directors, audit committees, auditors, analysts, regulators, investment banks and journalists. Greed, deceit and a failure to observe the public rather than personal interest were at the heart of much of the problem.

3 Legislators all over the world have been examining corporate governance at the same time as standard-setters have been looking at the issues underlying the corporate failures. While the IASB's mandate does not include corporate governance issues specifically, transparent financial reporting is fundamental for management and shareholders to exercise effective oversight. Three main issues that require immediate attention emerged from the standard-setters' investigation—related party transactions, revenue recognition, and off balance sheet (special purpose) vehicles. The question of related party transactions is already on the Board's agenda and the other two issues are being considered in conjunction with the US Financial Accounting Standards Board (FASB).

4 The IASB works within a partnership of national standard-setters. Our governing document, the IASC Foundation Constitution, requires seven of the full-time Board members to have formal links with national standard-setters in Australasia,

*The Wall Street Journal, 21 January 2003

Charles Yeh Kwong Lee, IASCF Trustee and Chairman, Hong Kong Exchanges and Clearing Ltd *(at the lectern)*, and Kwong Ki Chi, Chief Executive *(sixth from the right)*, with members of the IASB at a reception of Hong Kong CFOs in November 2002

Canada, France, Germany, Japan, the United Kingdom, and the United States. Regular meetings were held with the chairmen and senior technical staff from those standard-setters during the year. The foundations for much of the Board's future work are already being laid by those standard-setters, which will enable the Board, once it completes its present programme, to take up new issues with extensive initial research having already been done by its partners. The Board is, however, well aware that standard-setting is by no means limited to the jurisdictions covered by the liaison standard-setters, and in Hong Kong in November, on the eve of the 16th five-yearly World Congress of Accountants, the Board held the first of what are intended to be (at least) annual meetings with standard-setters from all over the world. The Board is grateful for the support it received from all standard-setters throughout the year and it intends to work even more closely with them in its efforts to achieve its objective of producing a single set of high quality global standards. It was clear from our meetings with standard-setters throughout the world that they fully support our objective of adopting a consistent set of accounting principles that can be used worldwide.

5 During 2002, our efforts gained significant momentum. At a historic meeting in Norwalk in September between the boards of the FASB and the IASB, both boards unanimously agreed that they would work together and consult other national and regional bodies to remove the differences between international standards and US generally accepted accounting principles (US GAAP). This decision was embodied in a memorandum of understanding—the Norwalk Agreement—that committed the boards to:

- a short-term convergence project run by their joint staffs to eliminate a range of differences between IASB and FASB standards, identified by reference to the statements reconciling international standards to US GAAP for filing purposes in the United States. These differences are to be removed by selecting the better alternative or, if neither is satisfactory, adopting another standard-setter's position.
- the promotion of consistent interpretations of standards.
- coordination of their future work programmes to ensure that compatibility, once achieved, is maintained. To that end, a series of joint projects to deal with issues of common concern is being instituted.

The memorandum of understanding between the FASB and the IASB has struck a chord around the world and has been welcomed as a sign that standard-setters accept the need to choose the best among the world's national standards and make it the global standard. If there is no obvious candidate for 'the gold standard' then the IASB, together with its partners, will write one.

6 Cooperation between the two boards is facilitated by the fact that we know each others' objectives and conceptual

backgrounds so well. Two of the IASB's present members were formerly members of the FASB and in July one of our Board members succeeded another accountant with a strong international outlook, Ed Jenkins, as chairman of the FASB. While we were sorry to lose such an able colleague in Robert Herz, we are delighted that the Trustees of the US Financial Accounting Foundation, the FASB's oversight body, chose Bob to lead the FASB at this crucial juncture.

7 Further evidence of the global financial market's desire to have a common financial reporting architecture became obvious in June 2002 when the Council of Ministers of the European Union approved the adoption of a Regulation proposed by the European Commission and supported by the European Parliament, requiring that by 1 January 2005 the consolidated accounts of the great majority of listed companies in the European Union should conform to the IASB's standards after a formal endorsement process, and the remainder of listed EU companies should comply with the IASB's standards by 1 January 2007. A month later the Financial Reporting Council of Australia formally agreed that the 2005 deadline for compliance with IASB standards should also apply to Australian companies. Recently New Zealand has announced a similar change by 2007 with the option to change in 2005. The convergence process is not limited to countries with official liaison bodies. The Russian Prime Minister announced that all companies and banks in Russia would be required to prepare their financial statements in accordance with IASB standards in a similar time frame, and many of the Central Asian republics have followed suit. China has announced that it is taking the path to convergence with IASB standards.

8 At present throughout the world some 32 countries are reported to require the use of international standards for all domestic listed companies. Six other countries require the use of international standards for some domestic listed companies. Some others base their standards very closely on international standards, modifying them only when absolutely necessary to meet local legal requirements or other conditions. Decisions announced in 2002 open the prospect of another 26 countries adopting international standards between 2003 and 2007, with the possibility of seven more when the EU is enlarged in 2004. The historic agreement with the FASB should ensure that the world is not split into two accounting camps but instead transactions taking place throughout the world will be accounted for in the same way, thereby removing a major risk element from the analysis of companies' results and consequently reducing the cost of capital. Global convergence is not simply an academic discussion about arcane accounting methods—it is about facilitating investment, and thereby encouraging economic growth and employment!

9 The Board is aware that companies changing from national standards to international accounting standards in 2005 have much work to do. Most of the Board's initial agenda announced in July 2001 should be completed by early 2004. It is the Board's intention that the IASB standards to be used in 2005 should consist of:

- the improved versions of the standards inherited from IASC
- a standard dealing with the first-time adoption of international standards
- a standard dealing with share-based payment
- a standard on business combinations
- an initial standard on accounting for insurance contracts.

10 To ease the transition to these standards the Board intends to allow a 'period of calm' for companies preparing for 2005 by ensuring that standards produced after the initial programme has been completed will be applicable only after 2005, although early adoption would be permitted. This means that companies will know well before January 2005 the standards they will have to apply.

PROGRESS WITH THE INITIAL WORK PROGRAMME

11 The Board's initial work programme, drawn up after consultation with the SAC, was announced in July 2001. The projects chosen were the first step towards the goal of one set of global standards. All the Board's main projects reflect this aim and many are being developed in conjunction with national standard-setters. In the course of 2002 good progress was made with this programme, most of which will be completed by early 2004.

Preface to International Financial Reporting Standards

12 The *Preface to International Financial Reporting Standards* sets out the Board's objectives and due process and explains the scope, authority and timing of application of IFRSs. The previous *Preface to International Accounting Standards* was last revised in 1982, and the Board decided to revise it to reflect both the changes in the IASC Constitution and the Board's decision about the format and style of future IFRSs. An exposure draft of the proposed revision was published for comment in November 2001, and after considering the comments received the Board issued the *Preface* in May.

THE 2005 STANDARDS

Improvements to existing standards

13 International accounting standards were criticised in the past for allowing alternative accounting treatments, for ambiguities of wording and for failing to take account of particular issues. The Board's predecessor body, IASC, had been working to rectify those problems. When the IASB drew up its initial work programme, it took the view that the existing standards could still be made much more acceptable to regulators, standard-setters, preparers and auditors worldwide. The Improvements project therefore became a central part of the Board's initial work.

14 The Improvements project falls into two parts, which are proceeding in parallel. The first covers twelve standards, proposals for which were set out in a single exposure draft *Improvements to International Accounting Standards* published in May 2002, inviting comments by 16 September. The proposed changes range from limited amendments to extensive rewriting that will result in a virtually new text.

15 At about the time when the comment period was ending, the Board was reaching agreement with the FASB to add a short-term convergence project to its active agenda (see paragraph 31). This short-term project is examining the possible elimination of differences between the IASB's standards and US GAAP. Although there is some overlap between the standards under review and those in the Improvements project, the Board therefore aims to complete its consideration of the comments on the proposed improvements without delay, and to issue by mid-2003 those resulting amendments that are unaffected by the short-term project.

16 The second part of the Improvements project is concerned with the two standards on financial instruments: IASs 32 and 39. IAS 39 has been criticised for being a complex standard with internal inconsistencies and a lack of clear application guidance. In considering amendments to improve IAS 39 the Board decided to take the opportunity to review IAS 32 at the same time. In June the IASB published an exposure draft of proposed *Amendments to IAS 32, Financial Instruments: Disclosure and Presentation, and IAS 39, Financial Instruments: Recognition and Measurement.* The proposed amendments were aimed at removing unnecessary complexity, providing additional guidance and easing implementation.

17 The exposure draft attracted a large response and in December, when the Board came to consider the comments received, it decided, as a result of issues raised by respondents, to hold a series of public roundtable discussions on IASs 32 and 39 in March 2003. Those discussions will focus primarily on the following issues:

- hedge accounting
- derecognition of financial assets
- impairment and uncollectability of financial assets
- distinguishing debt and equity, including those for derivatives on an entity's own equity instruments.

All those who responded to the exposure draft were invited, and others who wished to participate would be considered, provided they submitted comments by 17 January 2003. At the time of writing more than 100 organisations and individuals had asked to participate.

Urgent amendment to IAS 19

18 An unforeseen candidate for the Improvements project arose at the beginning of the year when concerns were raised by the accountancy profession that IAS 19 *Employee Benefits* was giving rise to counter-intuitive results. In certain circumstances, an actuarial loss in the pension plan could give rise to a reported gain in the entity's financial statements and an actuarial gain in the pension plan could give rise to a reported loss. The Board took the view that reporting gains and losses in those circumstances would

be wholly inappropriate and it moved quickly to amend the standard so that it could not happen. A short exposure draft was published in February and, after considering the responses received, the Board issued a limited amendment to IAS 19 in May.

19 The problem was caused by the interaction of two aspects of IAS 19—the option to defer actuarial gains and losses and the limit on the amount that can be recognised as an asset (the 'asset ceiling'). During its considerations of this matter, the IASB concluded that there were further conceptual and practical problems with these provisions. It agreed to conduct a comprehensive review of these aspects of IAS 19 as part of its work on convergence (see paragraph 31).

First-time application of International Financial Reporting Standards

20 As explained above (paragraph 8), in the coming years a large number of entities in many countries will adopt IFRSs for the first time. In partnership with the French standard-setter, the Conseil National de la Comptabilité, the Board has developed a draft standard with the aim of ensuring that when an entity adopts IFRSs for the first time, it does so in a way that produces high quality and transparent information for users, without incurring undue cost or effort. The proposals were published in July as an exposure draft ED 1 *First-time Application of International Financial Reporting Standards*, inviting comments by 31 October. The Board plans to issue the IFRS in the first half of 2003.

Share-based payment

21 Share-based payment, whereby an entity acquires goods or services with payments made in shares or share options, has become an increasingly familiar feature of business around the world. Yet there is no international standard on how to account for such transactions, and such few national standards as exist are widely regarded as inadequate or outdated. The Board therefore regarded the development of a standard on this topic as a priority.

22 In July 2000, IASC and the national standard-setters represented in the G4+1 published a discussion paper on accounting for share-based payment. Taking that paper as the first step in its own due process, the Board reopened the comment period in September 2001, inviting comments by 15 December of that year. In the light of the comments received and views from the SAC, the Board began work on developing a draft standard. Further assistance was given by the project's advisory group, consisting of individuals from various countries and with a range of backgrounds, including the investment, corporate, audit, academic, compensation consultancy, valuation and regulatory communities. Input from other experts was received at a panel discussion held in New York in July. The Board's proposed IFRS was published as an exposure draft ED 2 *Share-based Payment* in November, inviting comments by 7 March 2003. The text of the proposal was also published, with an invitation to comment, by the standard-setters in Australia, Hong Kong, New Zealand, South Africa, the UK and the US. The Board aims to issue the IFRS by the end of 2003, effective for periods beginning on or after 1 January 2004.

Business combinations (phase I)

23 The project's objective is to improve the quality of, and seek international convergence on, the accounting for business combinations and the subsequent accounting for goodwill and intangible assets acquired in business combinations.

24 The project has two phases. Phase I seeks to achieve convergence of existing standards on the definition of a business combination; the method of accounting for business combinations; the initial measurement of the identifiable assets acquired and liabilities and contingent liabilities assumed; the recognition of liabilities for terminating or reducing the activities of an acquired business; the treatment of any excess over the cost of a business combination of the acquirer's interest in the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities; and the accounting for goodwill and intangible assets acquired in business combinations.

25 Phase I resulted in the publication in December 2002 of an exposure draft (ED 3) of a proposed IFRS to replace IAS 22 *Business Combinations*, and an exposure draft of proposed changes to IAS 36 *Impairment of Assets* and IAS 38 *Intangible Assets*. Although many of the proposals are consistent with standards issued in Canada and the United States in 2001, the IASB has drawn on requirements in other jurisdictions (such as the UK's prohibition of 'acquisition' provisions) when it believed a higher quality solution existed. This project is therefore a good example of how convergence can and should work. The exposure drafts remain open for comment until April 2003, and the Board hopes to issue the proposed standards by the end of the year.

Insurance contracts

26 Although insurance is increasingly a global business, insurance accounting varies widely. Some jurisdictions give little or no guidance on accounting for insurance contracts, while others have requirements that are looking increasingly archaic. The need for improvements has been highlighted by growing concern about the transparency of insurance accounting. The project aims to produce an agreed global standard on

insurance contracts. To expedite progress on this large-scale project the Board decided to split it into two phases. Phase I will deal mainly with disclosure and with some limited aspects of recognition and measurement that can be put in place by 2005. To that end, the plan is to publish an exposure draft in the first half of 2003. Phase II will deal more comprehensively with recognition and measurement, and may be one of the first testing grounds for principles that the Board is developing in other projects, such as those on revenue recognition and performance reporting. The Board is committed to completing phase II without delay.

Performance reporting

27 Standard-setters have long recognised that the existing income statement is an unsatisfactory vehicle for conveying to investors a comprehensive account of a business's financial performance. The Board therefore undertook a project, in partnership with the UK Accounting Standards Board, to develop a single statement of financial performance that will replace the income statement. Several of the other liaison standard-setters are also working closely with the IASB. The ultimate goal is a single statement that reports all recognised income and expenses and focuses on the information needs of users. The project will prescribe the layout of the statement. This will follow a principles-based categorising and ordering of all items of income and expense. There will also be consequential changes to the statement of changes in equity and the cash flow statement.

28 The Board has developed a provisional format for the income statement, and tested it with detailed illustrative examples, such as pension costs, financial instruments, provisions, and property, plant and equipment. The Board plans to field-test its proposals in 2003 and then to publish an exposure draft.

Deposit-taking, lending and securities activities: disclosure and presentation

29 This project was originally focused on financial institutions only. As such it was on the agenda of the Board's predecessor, and attracted much support within the Basel Committee on Banking Supervision and from banks around the world. The Board decided to broaden the project to deal with all entities that carry out financial activities—hence the change in the project's title. The Board's aim, with the help of its Financial Activities Advisory Committee, is to publish (a) an exposure draft of a standard that would replace the financial risk disclosure principles and requirements in IAS 32 *Financial Instruments: Disclosure and Presentation* and (b) application guidance for all entities that carry out financial activities. The standard would also replace IAS 30 *Disclosures in the Financial Statements of Banks and Similar Institutions*. In the long run the standard might be merged with IAS 32 and IAS 39 *Financial Instruments: Recognition and Measurement* into a single financial instruments standard.

NEW WORK PROGRAMME

30 In June, after extensive consultation with the Standards Advisory Council, national accounting standard-setters, regulators, and other interested parties, the IASB announced its new programme of technical projects. These would build on and carry forward the initial work programme described above.

31 The main programme comprises three elements:

i consolidations (including special purpose entities – SPEs)

ii revenue – definition and recognition – and related aspects of liabilities

iii convergence on topics on which the IASB believes that a high quality solution is available from existing international and national standards –

- pension accounting
- income taxes
- segment reporting
- revaluations.

This element of the programme was greatly strengthened by the Norwalk Agreement, which added a short-term project with the FASB aimed at convergence over a range of further topics, including interests in joint ventures, restructuring costs, government grants and other government assistance and assets held for disposal.

32 As resources become available the IASB is phasing in the new projects alongside the remaining projects from the initial agenda. By the end of the year, at least preliminary work had begun on all of the topics. The IASB had also reviewed the FASB's work on SPEs and made initial decisions on consolidation.

Revenue recognition

33 Revenue recognition has been one of the most contentious topics in accounting. Surprisingly for an issue that is of such fundamental importance, the approaches to it in standards and conceptual frameworks (both the IASB's and other standard-setters') are inconsistent, and guidance on some crucial matters is non-existent. The IASB therefore decided in June to undertake a project on revenue recognition jointly with the FASB.

34 The primary objective of the joint project is to develop a comprehensive set of principles for revenue recognition that will eliminate the inconsistencies in existing standards and accepted practices. For its part, the IASB's plan is that the project will lead to a revision of the IASB *Framework* and IAS 18 *Revenue*, for which it expects to publish exposure drafts in 2004.

Pensions

35 In June the Board decided to begin work on pensions and other post-employment benefits. The project is being undertaken jointly with the Australian Accounting Standards Board. The project does not extend to all aspects of accounting for post-employment benefits; the objective is to consider particular requirements of IAS 19 *Employee Benefits* that might be improved by adopting requirements from other jurisdictions. By building on the principles that are common to most existing national standards on this topic, the Board hopes to achieve convergence. The main issues in the scope of the project are the recognition of actuarial gains and losses, the asset ceiling and the expected return on assets.

Income taxes

36 As part of the joint short-term convergence project, the Board is addressing the differences between the international and US standards on income taxes. Whilst both standards adopt a balance sheet liability approach that recognises deferred tax assets and liabilities for temporary differences and for operating loss and tax credit carry-forwards, their different requirements give results that are not comparable. The differences that the Board will be considering include exceptions in applying basic principles, measurement criteria for deferred tax assets and liabilities, recognition criteria for deferred tax assets, allocations to shareholders' equity, balance sheet classification, and disclosure requirements.

Segment reporting

37 Work is at an early stage on research into the differences between the IASB and US standards on segmental reporting and their relative usefulness to analysts.

Revaluations

38 This aspect of convergence is being conducted at present through the IASB's Revaluation Group, in parallel with the exploratory work on initial measurement and impairment *(see paragraph 43)*.

POSSIBLE FUTURE PROJECTS

The research agenda

39 In July 2002, the Board announced that it would begin active research work on various subjects. In some cases, partner and other national standard-setters would execute the work, in others the IASB staff would be responsible. Once the Board is satisfied that the appropriate issues have been identified and possible solutions to those issues have been developed to a sufficient degree, the Board will bring the research topics on to its standard-setting agenda when resources allow. Progress on these topics is reported regularly to the Board, the SAC and the national standard-setters.

40 The topics included in the research agenda, and those who are assisting the Board in this work, are as follows:

	RESPONSIBILITY
The application of international accounting standards to small and medium-sized entities and in emerging economies	IASB staff (with advisory panel)
Lease accounting	UK
Initial measurement and impairment	Canada
Aspects of accounting for financial instruments	IASB staff
Management narrative reporting in relation to financial reports	New Zealand (with Canada and the UK)
Extractive industries	Australia (with Canada, Norway and South Africa)
Accounting for service arrangements ('concessions')	UK (with Australia, France and Spain)

Inevitably, the pace at which these research projects are moving varies. Equally, the time when they are ripe for the preparation of standards will vary.

Small and medium-sized entities

41 The Board has initiated an active research project to determine whether the burden of compliance with international accounting standards can be reduced for small and medium-sized entities. In addition, the project will investigate the challenges to using international standards faced by entities in emerging and transition economies. An advisory panel has been assembled, including representatives of the national standard-setters of Canada, New Zealand and the United Kingdom; practitioners from Hong Kong, Sri Lanka and the Caribbean; representatives of central or regional governments; multilateral lending agencies and others. Initially, the advisory panel will examine the characteristics of small and medium-sized entities, the users of their financial statements and their accounting and financial reporting needs. If successful the project would not only help non-listed companies to stay within the scope of IASB standards by applying a cost-benefit test to their financial reporting, but would also enable those seeking a public listing to make the change to IFRSs without undue cost or effort. Lessons learned from this phase of the project might lead the Board to seek ways of making international standards more accessible to entities in emerging or transition economies, which simply do not have the infrastructure to implement the full weight of international standards, possibly through greater use of implementation guidance and educational material.

Lease accounting

42 Many believe that the arbitrary distinction between operating and finance leases that is required by IAS 17 *Leases* and other lease accounting standards is unsatisfactory, and that the comparability (and usefulness) of financial statements would be enhanced if existing standards were replaced by an approach that applied the same recognition and measurement principles to all leases. The UK ASB is leading the work on this topic.

Initial measurement and impairment

43 The Canadian Accounting Standards Board (AcSB) is undertaking a preliminary investigation of measurement objectives in financial accounting as input to the IASB's project to amend its *Framework* in respect of initial measurement and impairment. Representatives of the AcSB presented a paper on its preliminary investigation at the IASB's meeting with national standard-setters in October 2002. The AcSB intends to present its preliminary recommendations for discussion at the meeting of the IASB in March 2003.

44 In October, the IASB and national standard-setters also discussed the report of the IASB Revaluation Group entitled *Convergence: Revaluation of Property, Plant and Equipment.* The Revaluation Group was established in May 2001 with the objective of developing recommendations to the IASB on a convergence model for revaluation of property, plant and equipment. The Group agreed to explore further whether it can reach consensus on issues currently the subject of disagreement. The Group will update the Board on developments early in 2003.

Aspects of accounting for financial instruments

45 In addition to the work on improving IASs 32 and 39, described above, the IASB has begun research to explore

Members of the Standards Advisory Council, which includes 49 members, drawn from 29 countries and six international organisations, and three observer organisations. The Council comprises leading members of the business and regulatory communities and is an integral part of the IASB's consultative procedure.

potential longer-term solutions to various aspects of the accounting for financial instruments. Among the issues included are the measurement basis of financial instruments, the reliability of fair value measurement and how to determine fair values, various aspects of hedge accounting, and derecognition.

Management narrative reporting in relation to financial reports

46 Events in the past year or so have heightened interest in the overall message given by an entity and on ways to make sure that the 'health' of an organisation is understood by a wide range of users of financial reports. It is generally acknowledged that financial statements, although a vital source of information, are not sufficient on their own to inform investors and other users. Regulators and users have been calling for more analysis of the entity, along the lines of the US management discussion and analysis (MD&A). The aims of the MD&A have been described as being to provide a narrative explanation of companies' financial statements 'through the eyes of management', to improve overall financial disclosure and provide the context within which financial statements should be analysed, and to provide information about the quality of, and risks to, a company's earnings and cash flow. Such a report has been called the backbone of a company's disclosures. Some other jurisdictions have similar provisions, and there is much interest in developing a common approach to narrative reporting. The New Zealand standard-setter is leading this research, with support from other standard-setters.

Extractive industries

47 There is no international consensus at present on the appropriate accounting for the exploitation of natural resources. Existing standards largely reflect the view that specialised industry standards are needed and that the extractive industries should be excluded from the scope of some standards. Others, however, believe that entities should be required to follow all applicable standards, but this would raise practical difficulties for some jurisdictions, for example, regarding the appropriate accounting for exploration costs before the outcome of the exploration is known or issues of the recognition of revenues or inventory. There are also larger issues, such as the view, strongly held by many, that complete financial statements must contain information about reserves. The research on this problematic issue is being led by the Australian standard-setters, supported by others with relevant experience.

Accounting for service arrangements ('concessions')

48 Traditionally, public infrastructure items such as roads, bridges, tunnels, airports, and telecommunication networks have been constructed by the public sector and financed through public budgetary appropriation. In recent years, however, private sector entities have become increasingly involved in the delivery of such infrastructure projects through the use of so-called service concession arrangements. Moreover, public-private arrangements are only one of several types of service concession arrangements that are being entered into. The intention is that the research work would cover all of the various arrangements, with a view to recommending ways for the IASB to proceed. The UK ASB is leading this research, supported by other standard-setters.

INTERPRETATIONS

49 The International Financial Reporting Interpretations Committee (IFRIC) got off to a busy start in its first full year of operations. It met for the first time in February and by the end of the year was developing draft Interpretations on six wide-ranging issues:

- when a contract, such as a take-or-pay contract, contains a lease
- various schemes that governments have developed to encourage reductions in greenhouse gas emissions
- decommissioning funds, ie funds established to meet companies' decommissioning and environmental rehabilitation costs
- changes in decommissioning liabilities
- two pensions issues.

50 In addition to preparing Interpretations, the IFRIC has advised the Board on projects including Improvements and Convergence and conceptual work on revenue, liabilities and equity.

51 Discussions with the liaison national standard-setters during the year resulted in the establishment of arrangements to align the agendas of the various interpretive committees, and late in the year a dialogue was begun with securities regulators to try to ensure that their need to enforce standards did not lead to divergent interpretations of IFRSs.

52 As the 2005 deadline approaches, and the adoption of international standards spreads, IFRIC can expect to be even busier.

STANDARDS ADVISORY COUNCIL

53 The Standards Advisory Council met three times during 2002 and discussed all aspects of the Board's agenda and agenda proposals. The Council has continued to develop its constitutional role of advising the Board and providing a forum for informed input to the Board on various matters. The wisdom of tapping into the Council members' experience has been demonstrated by the quality of the discussions.

54 The Council has again been invaluable in helping the Board to shape its agenda priorities and in giving advice not only on various technical matters but also on strategy. It is largely as a result of its members' influence that the research project on small and medium-sized entities has been included in the Board's research agenda. I am most grateful to Peter Wilmot of South Africa in his continuing role as vice-chairman of the Council and for chairing the technical parts of meetings. His role has enabled me to avoid any conflict of interest on my part arising from my position as chairman of both the Board and the Council.

CHANGES IN MEMBERSHIP

55 As already mentioned, the Board underwent its first change of membership when Bob Herz resigned to take up the chairmanship of the FASB. We were fortunate indeed that the Trustees were able to fill the vacancy by appointing John Smith, a partner in Deloitte & Touche, US, where he is his firm's director of accounting policies. We were delighted to welcome John as a part-time Board member. He had long been a participant in the affairs of the IASB and its predecessor, and was a member of IFRIC, and his stature as a leading expert on financial instruments had been recognised in his service as chairman of the IAS 39 Implementation Guidance Committee.

56 The appointment of John Smith to the Board left a vacancy in the membership of IFRIC. In addition, another member of IFRIC, Christian Chiarasini, stepped down. To complete the two terms that were vacated the Trustees appointed Jeannot Blanchet, executive director, Equity Research (Europe), Morgan Stanley, and Ken Wild, a partner in Deloitte & Touche, UK, who is global leader of his firm's international accounting standards team. They each bring extensive practical experience in the application of international accounting standards. Before joining Morgan Stanley in December 2002, Jeannot was a partner in Andersen's Paris office, responsible for developing the firm's service related to the planned adoption of international accounting standards in the European Union in 2005. He formerly served as a member of the IASB's Standards Advisory Council. Ken has served as a member of the UK Accounting Standards Board since 1994. I am sure that they will make a strong contribution to the work of IFRIC.

57 During the year there was one change in the membership of the Standards Advisory Council. Kim Il-Sup, chairman of the Korea Accounting Standards Board, relinquished his membership and was replaced by his Board's vice chairman, Kyung Ho Kim.

STAFFING

58 As an international organisation that is staffed very largely by people drawn from all over the world, on temporary assignments to London, the IASB experiences a steady turnover of people.

59 As foreshadowed in my last report, early in the year Jim Saloman returned to PricewaterhouseCoopers Canada upon completing his secondment as technical director. The technical side of the operation is now headed by Kevin Stevenson, director of technical activities, and Wayne Upton, director of research. Wayne, formerly a senior member of the FASB staff, joined in 2001, and Kevin, formerly national technical partner of PricewaterhouseCoopers in Australia and formerly executive director of the Australian Accounting Research Foundation, took up his appointment in February. Each brings to his role a

wealth of knowledge and experience of standard-setting in an international context, and the Board is fortunate indeed that the direction and leadership of its technical staff are in such able hands. As chairman of the IFRIC Kevin is a vital link with the Board's work, and I am grateful for the care he has given, right from the start, to ensuring that the IFRIC is able to play a constructive part.

60 There were other departures during the year. Two of the project managers, Frank Palmer and Rieko Yanou, returned to practice in Australia and Japan respectively, and one of our receptionists, Samantha Williams, returned to New Zealand. Her colleague on the reception desk, Fiona Davitt, was joined by Vanessa Richardson, also from New Zealand.

61 We welcomed several new colleagues during the year -

- Kathie Bugg (US) • Sue Lloyd (New Zealand)
- Lu Jianqiao (China) • Claus Nielsen (Denmark)
- Andrea Pryde (UK) • Henry Rees (UK)
- Brigitte Schuster (Austria) • Yuichi Torikai (Japan)

Towards the end of the year Marith Zaccarelli (US) joined us to help with the growing task of preparing documents for publication, and we had appointed Julie Erhardt (US) to join the technical staff shortly after the year-end.

62 As the technical staff grew to its full complement, and in recognition of her outstanding contribution to the organisation, we strengthened the technical management by promoting Annette Kimmitt to senior project manager, alongside Peter Clark and Sandra Thompson.

63 Although the staff are drawn from around the world, and have a rich diversity of backgrounds and experience, I am particularly impressed by their evident commitment to and strong belief in the IASB's mission. I am sure that all my fellow Board members share my admiration and respect for our staff colleagues' dedication—the long hours and the hard thinking and writing—that lies behind the regular flow of high quality Board papers on a huge range of technical subjects. For me it is both stimulating and enriching to work alongside so many highly talented colleagues, and to enjoy their company and the contribution that each makes to our work.

LOOKING AHEAD

64 As will be clear from this report, if the past year has been one of momentous developments, 2003 looks set to be one of unremitting challenge. The primary aim is to complete the portfolio for 2005. As mentioned above, this will involve, as the first stage, completing the standard on the first-time application of IFRSs and bringing to a conclusion the work of the initial Improvements project. The Board will also aim to digest the results of our roundtable consultations in time to reach definitive decisions on the proposed amendments to the financial instruments standards. By the end of the year we plan to have issued our standards on share-based payment and the first phase of business combinations. Other projects earmarked for the 2005 portfolio are the first phase of the insurance project, aspects of the second phase of the business combinations project and the convergence work being undertaken jointly with the FASB. On all of these the Board aims to publish detailed proposals for public comment in the course of the coming year, with a view to issuing standards early in 2004. In addition the Board will aim to make progress on the question of accounting by small and medium-sized entities, and entities in emerging and transition economies. As resources permit we shall also expect to make progress on a range of important subjects, such as post-retirement benefits and revenue and liability recognition, with a view to completion in 2004 or 2005. Accomplishing all those objectives is a mighty challenge, but one that I and my colleagues readily accept and are determined to meet.

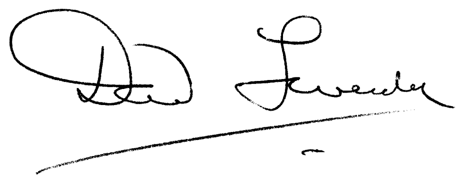
GIVING CREDIT

65 Lastly it is fitting that I should record my thanks to various groups of people. First, the Hon Paul Volcker, the chairman of the Trustees, and his colleagues: their enthusiasm and support for the Board and its work have been unwavering, and I thank them for their highly effective efforts in ensuring that the organisation is on a sound constitutional and financial footing. I am also grateful to Tom Seidenstein, the IASC Foundation's Director of Operations, and Kurt Ramin, its Commercial Director, for their energy and determination in the day-to-day operations of the office.

66 I should also like to pay tribute to the work of my fellow Board members. Despite the disagreements that inevitably (and quite rightly) arise when professionals get together to debate technical issues, the members have come to know and respect each others' viewpoints and strive to find a way forward that all can support. As those who observe our proceedings will know, Board meetings may be long, but they are seldom dull – at least for those participating!

67 Another group to whom a special debt of gratitude is due are the members of the IFRIC, which began work during the year. I am confident that their advice and experience will be an increasingly valuable resource for the organisation as IFRSs become more widely adopted in the coming years.

68 Finally, we owe debts of gratitude to Michael Butcher, our Editorial Director, for ensuring that each document we produce does not appear in its own unique style, to the Publications Department for arranging for our documents to be translated and published expeditiously, and to our secretaries and administrative staff for taking good care of us, and in particular for enabling Board members to appear in the right place at the right time with the right documents.



Sir David Tweedie
Chairman of the IASB

PREFACE

Preface to International Financial Reporting Standards

STANDARDS

- **IAS 1:** Presentation of Financial Statements
- **IAS 2:** Inventories
- **IAS 7:** Cash Flow Statements
- **IAS 8:** Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies
- **IAS 10:** Events After the Balance Sheet Date
- **IAS 11:** Construction Contracts
- **IAS 12:** Income Taxes
- **IAS 14:** Segment Reporting
- **IAS 15:** Information Reflecting the Effects of Changing Prices
- **IAS 16:** Property, Plant and Equipment
- **IAS 17:** Leases
- **IAS 18:** Revenue
- **IAS 19:** Employee Benefits
- **IAS 20:** Accounting for Government Grants and Disclosure of Government Assistance
- **IAS 21:** The Effects of Changes in Foreign Exchange Rates
- **IAS 22:** Business Combinations
- **IAS 23:** Borrowing Costs
- **IAS 24:** Related Party Disclosures
- **IAS 26:** Accounting and Reporting by Retirement Benefit Plans
- **IAS 27:** Consolidated Financial Statements and Accounting for Investments in Subsidiaries
- **IAS 28:** Accounting for Investments in Associates
- **IAS 29:** Financial Reporting in Hyperinflationary Economies
- **IAS 30:** Disclosures in the Financial Statements of Banks and Similar Financial Institutions
- **IAS 31:** Financial Reporting of Interests in Joint Ventures
- **IAS 32:** Financial Instruments: Disclosure and Presentation
- **IAS 33:** Earnings Per Share
- **IAS 34:** Interim Financial Reporting
- **IAS 35:** Discontinuing Operations
- **IAS 36:** Impairment of Assets
- **IAS 37:** Provisions, Contingent Liabilities and Contingent Assets
- **IAS 38:** Intangible Assets
- **IAS 39:** Financial Instruments: Recognition and Measurement
- **IAS 40:** Investment Property
- **IAS 41:** Agriculture

INTERPRETATIONS

PREFACE 2002

- **SIC 1:** Consistency - Different Cost Formulas for Inventories
- **SIC 2:** Consistency - Capitalisation of Borrowing Costs
- **SIC 3:** Elimination of Unrealised Profits and Losses on Transactions with Associates
- **SIC 5:** Classification of Financial Instruments - Contingent Settlement Provisions
- **SIC 6:** Costs of Modifying Existing Software
- **SIC 7:** Introduction of the Euro
- **SIC 8:** First-Time Application of IASs as the Primary Basis of Accounting
- **SIC 9:** Business Combinations - Classification either as Acquisitions or Unitings of Interests
- **SIC 10:** Government Assistance - No Specific Relation to Operating Activities
- **SIC 11:** Foreign Exchange - Capitalisation of Losses Resulting from Severe Currency Devaluations
- **SIC 12:** Consolidation - Special Purpose Entities
- **SIC 13:** Jointly Controlled Entities - Non-Monetary Contributions by Venturers
- **SIC 14:** Property, Plant and Equipment - Compensation for the Impairment or Loss of Items
- **SIC 15:** Operating Leases - Incentives
- **SIC 16:** Share Capital - Reacquired Own Equity Instruments (Treasury Shares)
- **SIC 17:** Equity - Costs of an Equity Transaction
- **SIC 18:** Consistency - Alternative Methods
- **SIC 19:** Reporting Currency - Measurement and Presentation of Financial Statements under IAS 21 and IAS 29
- **SIC 20:** Equity Accounting Method - Recognition of Losses
- **SIC 21:** Income Taxes - Recovery of Revalued Non-Depreciable Assets
- **SIC 22:** Business Combinations - Subsequent Adjustment of Fair Values and Goodwill Initially Reported
- **SIC 23:** Property, Plant and Equipment - Major Inspection or Overhaul Costs
- **SIC 24:** Earnings Per Share - Financial Instruments and Other Contracts that May Be Settled in Shares
- **SIC 25:** Income Taxes - Changes in the Tax Status of an Enterprise or its Shareholders
- **SIC 27:** Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- **SIC 28:** Business Combinations - "Date of Exchange" and Fair Value of Equity Instruments
- **SIC 29:** Disclosure - Service Concession Arrangements
- **SIC 30:** Reporting Currency - Translation from Measurement Currency to Presentation Currency
- **SIC 31:** Revenue - Barter Transactions Involving Advertising Services
- **SIC 32:** Intangible Assets - Web Site Costs
- **SIC 33:** Consolidation and Equity Method - Potential Voting Rights and Allocation of Ownership Interests

EXPOSURE DRAFTS

Exposure Draft of *Proposed Improvements to International Accounting Standards* (May 2002)

Exposure Draft of *Proposed Amendments to IAS 32, Financial Instruments: Disclosure and Presentation, and IAS 39, Financial Instruments: Recognition and Measurement* (June 2002)

Exposure Draft ED *1 First-time Application of International Financial Reporting Standards* (July 2002)

Exposure Draft ED *2 Share-based Payment* (November 2002)

Exposure Draft ED 3 *Business Combinations* (December 2002)

Exposure Draft of *Proposed Amendments to IAS 36, Impairment of Assets, and IAS 38, Intangible Assets* (December 2002)

REPORT OF THE INDEPENDENT AUDITORS

To the Trustees of the International Accounting Standards Committee Foundation

We have audited the financial statements of the International Accounting Standards Committee Foundation (IASCF) for the year ended 31 December 2002 on pages 16 to 19. These financial statements have been prepared under the accounting policies set out on page 18.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

The Trustees are responsible for preparing the financial statements in accordance with applicable law, IASCF's Constitution and International Financial Reporting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with International Financial Reporting Standards. We also report to you if, in our opinion, the Report of the Chairman of the Trustees is not consistent with the financial statements, if IASCF has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Trustees' remuneration and transactions with IASCF is not disclosed.

We read the Report of the Chairman of the Trustees and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of our engagement letter to you dated 18 February 2002 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our engagement letter to you dated 18 February 2002 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to IASCF's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the IASCF's affairs as at 31 December 2002 and of its increase in net assets for the year then ended and have been properly prepared in accordance with International Financial Reporting Standards.

BDO STOY HAYWARD
Chartered Accountants and Registered Auditors

STATEMENT OF ACTIVITIES
Year ended 31 December

	Notes	2002 £'000	2001 £'000
OPERATING REVENUES			
Contributions	3	11,675	12,830
Other income		24	54
		11,699	12,884
Publications and related revenue	4	2,303	1,966
Less direct cost of sales		(1,250)	(675)
		1,053	1,291
Total operating revenues		**12,752**	**14,175**
OPERATING EXPENSES			
Salaries, wages and benefits	5	7,265	5,535
Accommodation	6	952	856
Board meetings		846	685
Committees		198	331
Travel for consultations		235	89
External relations		183	180
Audit, legal and taxation		219	375
Communications		225	153
Other costs		133	149
Total operating expenses		**10,256**	**8,353**
TRUSTEES' COSTS			
Fees	7	333	318
Meeting expenses	7	154	90
		487	408
Total expenses		**10,743**	**8,761**
OPERATING REVENUES IN EXCESS OF EXPENSES		**2,009**	**5,414**
Interest income		278	206
United Kingdom corporation tax recoverable (payable)	8	26	(41)
		304	165
Change in fair value of financial instruments		930	–
Profit (Loss) on exchange		264	(62)
Portfolio management fee		(10)	–
INCREASE IN NET ASSETS		**3,497**	**5,517**
Net assets at beginning of year		6,580	1,063
NET ASSETS AT END OF YEAR		**10,077**	**6,580**

The notes on pages 18 and 19 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
at 31 December

	Notes	2002 £'000	2001 £'000
ASSETS			
Non-current assets			
Leasehold property, leasehold improvements, furniture & equipment	9	848	945
Financial assets	10	3,604	–
		4,452	**945**
Current assets			
Derivative financial asset	10	861	–
Accrued interest receivable on bonds		40	–
Financial assets	10	1,435	–
Cash at bank and in hand	10	4,171	6,486
Contributions receivable	3	478	614
Taxation recoverable	8	26	–
Other receivables		206	185
Prepaid expenses		154	170
		7,371	**7,455**
TOTAL ASSETS		**11,823**	**8,400**
CURRENT LIABILITIES			
Contributions received in advance	3	52	–
Publications revenue received in advance		445	400
Accrued expenses and sundry creditors		1,249	1,379
Current taxation liabilities	8	–	41
		1,746	**1,820**
TOTAL LIABILITIES		**1,746**	**1,820**
NET ASSETS		**10,077**	**6,580**

CASH FLOW STATEMENT
Year ended 31 December

	Notes	2002 £'000	2001 £'000
OPERATING ACTIVITIES			
Contributions	3	11,863	11,717
Cash receipts from customers		2,349	1,941
Other receipts		42	145
Cash paid to suppliers and employees:			
Operating expenses		(10,388)	(7,909)
Publications direct expenses		(1,098)	(680)
Trustees' costs	7	(433)	(490)
Net cash from operating activities		**2,335**	**4,724**
INVESTING ACTIVITIES			
Purchase of bonds		(6,009)	–
Matured bonds receipts		962	–
Interest received		322	200
Taxes on interest income paid		(41)	(35)
Purchase of furniture and equipment		(53)	(324)
Leasehold property and leasehold improvements		(85)	(641)
Portfolio management fee		(10)	–
Profit (Loss) on exchange		529	(52)
Net cash from investing activities		**(4,385)**	**(852)**
Effects of exchange rate changes on cash and cash equivalents		**(265)**	**(10)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(2,315)**	**3,862**
Cash and cash equivalents at beginning of period		6,486	2,624
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10	**4,171**	**6,486**

The notes on pages 18 and 19 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

1. LEGAL FORM, OBJECTIVES AND RESTRUCTURING

The International Accounting Standards Committee Foundation (IASCF) is a not-for-profit corporation, which was incorporated in the state of Delaware, USA on 6 February 2001 to continue the work of its predecessor body, the International Accounting Standards Committee.

The objectives of the IASCF are:

(a) to develop, in the public interest, a single set of high quality, understandable and enforceable global accounting standards that require high quality, transparent and comparable information in financial statements and other financial reporting to help participants in the world's capital markets and other users make economic decisions;

(b) to promote the use and rigorous application of those standards; and

(c) to bring about convergence of national accounting standards and International Accounting Standards to high quality solutions.

The IASCF has two main bodies, the Trustees and the International Accounting Standards Board (the Board), as well as the International Financial Reporting Interpretations Committee (IFRIC) (formerly known as the Standing Interpretations Committee in 2001) and the Standards Advisory Council. The Trustees appoint the Board members and related bodies, exercise oversight and raise the funds needed, whereas the Board has sole responsibility for setting accounting standards.

The 2001 comparative figures in the 2002 financial statements reflect the facts that members of the IASB did not begin full-time work for the restructured organisation until 6 April 2001 and that increases in other staff took place mainly in the second half of 2001. At the same time, the Trustees raised funds for 2001 on the basis of a complete calendar year of operation to cover costs associated with the reorganisation and establishing the new headquarters and to provide confidence that the IASCF would have sufficient funds to operate in future years. The large majority of funds were pledged on a multi-year basis to secure financing through to the end of 2005.

2. ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards. The classification and presentation of certain items has been changed in 2002, to reflect changes in the development and structure of the organisation, and the relevant 2001 comparatives have been restated.

(b) Contributions

Contributions are recognised as revenue in the year designated by the contributor.

(c) Publications and related revenue

Subscriptions and licence fees are recognised as revenue on a straight-line basis over the period covered by the subscriptions and fees. Royalties are recognised as revenue on an accrual basis.

Publications direct cost of sales comprises printing costs and other direct costs including publications department salaries, promotion, and computer costs. The direct costs do not include other costs of preparing standards, including costs of Board meetings, Advisory Councils (Steering Committees: 2001), IFRIC (SIC: 2001), Board members and technical staff.

(d) Depreciation

Leasehold property and leasehold improvements are depreciated on a straight-line basis over the period of the lease.

Furniture and equipment are depreciated on a straight-line basis over the estimated useful life of the asset. The annual rate applied is 20 per cent of cost for all assets except computer equipment, which is depreciated at 33⅓ per cent of cost.

(e) Foreign currency transactions

Transactions denominated in currencies other than sterling are recorded at the exchange rate at the date of the transaction. Monetary assets and liabilities are translated into sterling at the exchange rate at the year-end.

(f) Operating leases - office accommodation

Lease payments for office accommodation are recognised as an expense on a straight-line basis over the non-cancellable term of the lease.

(g) Financial assets

Financial assets (investments in bonds available for sale) are recognised at fair value. The corresponding gains or losses are included in the Statement of Activities.

(h) Derivative financial instruments

Derivative financial instruments (forward contracts and collars) are used to hedge the exposure to foreign exchange risks arising from activities. In accordance with its risk management policy, the IASC Foundation does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised at fair value. The corresponding gains or losses are included in the Statement of Activities.

3. CONTRIBUTIONS

When the IASCF was incorporated in 2001 the IASCF Trustees asked contributors to make five-year pledges. Many of the contributors agreed to five-year pledges, while others made pledges of three years or agreed to make only a 2001 payment. The Trustees have received written pledges of the following amounts for future years. Adjustments between the 2002 and 2001 US dollar figures reflect reductions in pledges from organisations no longer operating or those which have documented different intentions regarding payment.

Year	2002 £'000	2002 $'000	2001 £'000	2001 $'000
2002	-	-	10,852	15,794
2003	9,042	14,557	10,852	15,794
2004	8,856	14,257	10,647	15,495
2005	8,841	14,232	10,647	15,495

The pledges were made primarily in US dollars, which have been translated at the financial year-end rate of US $1.6099 to £1 (2001: US$1.4554).

Two contributions received in 2002 amounting to £52,000, specifically designated by the contributor for use by the IASCF in 2003, were recognised as a liability at the end of 2002. Contributions amounting to £478,000 received in January and February 2003, specifically designated by the contributor for 2002, were recognised as revenue in 2002.

4. PUBLICATIONS AND RELATED REVENUE

	2002 £'000	2001 £'000
Sales of subscriptions and publications	1,603	1,390
Royalties and permission fees	595	576
Other related activities	105	-
	2,303	**1,966**

5. EMPLOYEES

The IASCF had an average of 52 employees (including Board members and interns) during 2002 (2001: 36).

	2002 £'000	2001 £'000
Staff costs, including Board members	7,188	5,267
Staff costs included in publications direct expenses	385	260
Recruitment and relocation costs	77	275
Total staff costs	**7,650**	**5,802**

Staff costs include employer's contributions to defined contribution pension plans	224	76

6. ACCOMMODATION

The IASCF entered into operating leases in 2001 for office accommodation at 30 Cannon Street, London and in 2002, at 73 Watling Street, London, which expire in September 2008 and December 2004 respectively. In 2006 future rents for 30 Cannon Street will be adjusted to then current market rates, if higher.

IASC entered into operating leases in 1991 for office accommodation at 167 Fleet Street, London and, in 1997, at 166 Fleet Street, London. Both leases were held by the Institute of Chartered Accountants in England and Wales on behalf of the IASCF and expired in June 2002 and September 2002 respectively. The office at 166 Fleet Street was used by IASCF until September 2002. The office at 167 Fleet Street was sublet to a third party from 1999 until the expiry of its lease.

Since 2001 the IASCF has rented office space at 610 Fifth Avenue, New York, NY, USA. The only obligation incurred in this regard relates to payment of ongoing expenditures and a provision of 90 days' notice of termination.

Payments on the leases, excluding service charges and property rates (currently approximately 37 per cent of the lease payments) are due as follows:

Due Date	Payments 2002 £'000	Payments 2001 £'000
2002	-	637
2003	596	544
2004	595	544
2005	544	544
2006	544	544
2007	544	544
2008	408	408
	3,231	**3,765**

7. TRUSTEES' COSTS

The Trustees are remunerated with annual and meeting fees and are reimbursed for the expenses of their travel on IASCF business.

8. UNITED KINGDOM CORPORATION TAX

For US tax purposes, the entity is classified as a not-for-profit tax-exempt organisation.

The IASCF is currently in discussion with the UK authorities with regard to its UK tax status. At the present time, it is not possible to predict the outcome of these discussions and as such, no provision has been made in respect of 2002.

As these discussions relate to the status of the IASCF since it succeeded IASC, the tax charge made in the prior year with respect to the activities from the date of succession has been reversed.

9. LEASEHOLD PROPERTY, LEASEHOLD IMPROVEMENTS, FURNITURE AND EQUIPMENT

	Leasehold Property £'000	Leasehold Improvements £'000	Furniture, Equipment £'000	2002 total £'000	2001 total £'000
Cost					
At 1 Jan 2002	102	860	542	1,504	532
Additions	2	72	59	133	978
Disposals	(48)	(261)	(126)	(435)	(6)
At 31 Dec 2002	**56**	**671**	**475**	**1,202**	**1,504**
Depreciation					
At 1 Jan 2002	49	285	225	559	408
Charge for the year	11	113	102	226	157
Disposals	(48)	(261)	(122)	(431)	(6)
At 31 Dec 2002	**12**	**137**	**205**	**354**	**559**
Net carrying amount					
At 31 Dec 2002	**44**	**534**	**270**	**848**	
At 31 Dec 2001	53	575	317	945	

10. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Investments	Carrying Amount 2002 £'000	Carrying Amount 2001 £'000	Fair Value 2002 £'000	Fair Value 2001 £'000
Sterling-denominated fixed rate bonds	5,079	-	5,079	-

The bonds mature within a period of 0 to 4 years. The nominal interest of the bonds is within a range of 5% to 8.5% and the effective interest rate is within a range of 3.65% to 4.3%.

Derivatives	Notional £'000	Maturity Date	Fair Value 2002 £'000	Fair Value 2001 £'000
GBP/USD Forward contracts	3,900	2004	(1)	-
GBP/USD 1.42 Call options	9,000	2003	867	-
GBP/USD 1.36 Put options	9,000	2003	(5)	-
			861	-

Cash at bank and in hand comprises the following:	2002 £'000	2001 £'000	Effective interest rate 2002 %	Effective interest rate 2001 %
Bank sterling deposit due after 7 days, within one month	-	5,600	-	3.62
Bank sterling deposit due within 7 days	2,960	-	3.80	-
Bank US dollars deposit due within 10 days	683	-	0.91	-
Cash and bank deposits due on demand:				
Sterling in London	136	254	0.85	0.80
Euro in London	21	-	-	-
US dollars in London	324	399	0.10	0.10
US dollars in New York	47	233	-	-
	4,171	**6,486**		

All cash at bank is held by Barclays Bank PLC, London, except for one United States dollar account held by Barclays Bank PLC in New York.

All other financial assets and liabilities are non-interest bearing and due on demand.

11. RISK MANAGEMENT STRATEGY

The expenditures in the IASCF's operating budget are largely in UK sterling, whereas the IASCF Trustees received voluntary, multi-year pledges in US dollars to cover the cost of operating the IASB and other overhead costs through to the end of the year 2005. Therefore, the Trustees have implemented a strategy to mitigate the risks associated with foreign exchange and the voluntary nature of the private contributions.

To address the exchange rate risk, the Trustees entered into a series of forward contracts for 2002 and 2004 and adopted a collar strategy for 2003 that would provide a fixed sterling equivalent of a specific percentage of the budget of the IASCF's operating activities. Ninety per cent of the projected budget was covered through a series of forward contracts expiring quarterly in 2002 and a series of zero-cost dollars expiring quarterly in 2003. For 2004, 33 per cent of the projected budget is covered through forward contracts, each expiring at the end of a quarter. Details regarding the transactions are found in note 10.

To protect against the risks associated with voluntary contributions in future years, the Trustees have invested the IASCF's surplus funds in 10 sterling-denominated notes of the UK government and international organisations with an AAA rating. Funds are divided in relatively equal sums with maturities of 1-2 years, 2-3 years, and 3-4 years in order to provide a steady cash flow upon their maturity to replace donor commitments if they are not fulfilled.

12. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Trustees of the IASCF on 13 March 2003.

TRUSTEES OF THE INTERNATIONAL ACCOUNTING STANDARDS COMMITTEE FOUNDATION

As at 31 December 2002

INTERNATIONAL ACCOUNTING STANDARDS BOARD

As at 31 December 2002

SIR DAVID TWEEDIE, Chairman Term expires 30/6/2006
Before joining the IASB, he served as the first full-time Chairman of the UK ASB, 1990-2000.

THOMAS E. JONES, Vice-Chairman Term expires 30/6/2004
Formerly Principal Financial Officer of Citicorp and last Chairman of the IASC Board. He spent most of his professional career in Belgium, France, Italy and the United States.

MARY E. BARTH Term expires 30/6/2004
Professor of Accounting at the Graduate School of Business at Stanford University, she is one of the IASB's two part-time members.

HANS-GEORG BRUNS Term expires 30/6/2006
Liaison to German Standard-Setter. Formerly Chief Accounting Officer for DaimlerChrysler. He was head of a working group of the German ASB.

ANTHONY T. COPE Term expires 30/6/2004
Before joining the IASB, he served as a member of the US FASB. He previously worked as a financial analyst in the United States for 30 years, ultimately becoming Director of Fixed Income Research, Wellington Management Co, in Boston.

ROBERT P. GARNETT Term expires 30/6/2005
Formerly Executive Vice President of Finance for Anglo American plc, a South African company listed on the London Stock Exchange, he has worked as a preparer and analyst of financial statements throughout his career.

GILBERT GÉLARD Term expires 30/6/2005
Liaison to French Standard-Setter. Formerly a partner at KPMG, he has extensive experience with French industry, including as a Deputy CFO with Groupe Hachette 1973–1982 and Deputy Group Comptroller with Elf Aquitaine 1982–1987.

JAMES J. LEISENRING Term expires 30/6/2005
Liaison to US Standard-Setter. Formerly Vice Chairman and, most recently, Director of International Activities of the US FASB. He has worked on issues related to accounting standard-setting over the last three decades.

WARREN McGREGOR Term expires 30/6/2006
Liaison to Australian/New Zealand Standard-Setters. He worked on standard-setting for over 20 years at the Australian Accounting Research Foundation, where he ultimately became the Chief Executive Officer.

PATRICIA L. O'MALLEY Term expires 30/6/2004
Liaison to Canadian Standard-Setter. Before joining the IASB, she served as Chair of the ASB of Canada, and was previously Technical Partner at KPMG Canada.

HARRY K. SCHMID Term expires 30/6/2005
Formerly Senior Vice President of Nestlé, responsible for corporate reporting. He has over 40 years' experience as a preparer of financial statements in Switzerland and Latin America.

JOHN T. SMITH Term expires 30/6/2005
Was appointed to the IASB in September 2002. As a part-time member, he remains a partner in the national office of Deloitte & Touche (D&T) in the United States.

GEOFFREY WHITTINGTON Term expires 30/6/2006
Liaison to UK Standard-Setter. Before joining the IASB, he was a member of the UK ASB. He was the PricewaterhouseCoopers Professor of Financial Accounting at Cambridge University and formerly served as a member of the UK Monopolies and Mergers Commission.

TATSUMI YAMADA Term expires 30/6/2006
Liaison to Japanese Standard-Setter. He was previously a partner at ChuoAoyama Audit Corporation (a member firm of PricewaterhouseCoopers) in Tokyo.

INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE (IFRIC)

As at 31 December 2002

Junichi Akiyama Term expires 30/6/2003
Professor, Tama University **Japan**

Phil Ameen Term expires 30/6/2005
Vice President and Comptroller,
General Electric Company **United States**

Jeannot Blanchet Term expires 30/6/2004
Executive Director,
Morgan Stanley **France**

Claudio De Conto Term expires 30/6/2005
General Manager Administration
and Control, Pirelli S.p.A **Italy**

Clement K. M. Kwok Term expires 30/6/2005
Managing Director and Chief
Executive Officer, Hong Kong
and Shanghai Hotels Limited **Hong Kong, China**

Wayne Lonergan Term expires 30/6/2005
Managing Director,
Lonergan Edwards & Associates Limited **Australia**

Domingo Marchese Term expires 30/6/2005
Partner,
Marchese, Grandi, Mesón & Asociados **Argentina**

Mary Tokar Term expires 30/6/2004
KPMG IAS Advisory Services
Partner, KPMG LLP **United States**

Leo van der Tas Term expires 30/6/2003
Partner, Ernst & Young **The Netherlands**

Patricia Walters Term expires 30/6/2003
Senior Vice President, Association
for Investment Management and Research **United States**

Ken Wild Term expires 30/6/2003
Global Leader - IAS,
Deloitte Touche Tohmatsu **United Kingdom**

Ian Wright Term expires 30/6/2004
Partner,
PricewaterhouseCoopers **United Kingdom**

Non-voting Chairman
Kevin Stevenson
Director of Technical Activities,
International Accounting Standards Board

Official Observers
European Commission
The International Organization of Securities Commissions

STANDARDS ADVISORY COUNCIL

As at 31 December 2002

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ASIA, *excluding Japan*

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PETER DAY, Executive General Manager of Finance, AMCOR, Australia

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PAUL McCROSSAN, retired Partner, Eckler Partners; Past-President, International Actuarial Association, Canada

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DAVID SHEDLARZ, Executive Vice President and Chief Financial Officer, Pfizer Inc., United States

KEITH SHERIN, Senior Vice President-Finance & Chief Financial Officer, General Electric Company, United States

DAVID SIDWELL, Chief Financial Officer, Investment Bank, J.P. Morgan Chase & Co., United States

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EUROPEAN UNION

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PHILIPPE DANJOU, Chief Accountant, Commission des Opérations de Bourse, France

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SIGVARD HEURLIN, retired Partner, Öhrlings PricewaterhouseCoopers, Sweden; member, Redovisningsrådet (Swedish standard-setting body) and Akutgruppen (Swedish emerging issues task force)

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CARMELO DE LAS MORENAS, Chief Financial Officer, REPSOL YPF Group, Spain

JOCHEN PAPE, Partner and Technical Director International Financial Reporting, PricewaterhouseCoopers, Germany; Chairman, Global IAS Board, PwC

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WILLEM VAN DER LOOS, retired Vice President, Corporate Control, Philips International BV, The Netherlands

JAPAN

EIKO TSUJIYAMA, Professor of Accounting, Musashi University; member, Accounting Standards Board of Japan

YOSHIKI YAGI, Executive Vice President, Hitachi Ltd.

LATIN AMERICA

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MIDDLE EAST

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RIFAAT AHMED ABDEL KARIM, Secretary-General, Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Bahrain

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ARNOLD SCHILDER, Chairman, Basel Committee's Accounting Task Force; Executive Director, De Nederlandsche Bank, The Netherlands

IFAC PUBLIC SECTOR COMMITTEE
IAN MACKINTOSH Chairman

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS
FLORENCE LUSTMAN, Chair, IAIS Accounting Subcommittee; Secretary General, Commission de Contrôle des Assurances, France
with effect from January 2003

INTERNATIONAL MONETARY FUND
ARNE PETERSEN, Chief, Financial Institutions and Markets Division, Monetary and Exchange Affairs Department

IOSCO
JOHN CARCHRAE, Chief Accountant, Ontario Securities Commission, Canada
RAFAEL SANCHEZ DE LA PEÑA, Director, Comision Nacional del Mercado de Valores, Spain

THE WORLD BANK
FAYEZUL CHOUDHURY, Vice President and Controller

OFFICIAL OBSERVERS

EUROPEAN COMMISSION

FINANCIAL SERVICES AGENCY, GOVERNMENT OF JAPAN

US SECURITIES AND EXCHANGE COMMISSION

IASCF 2002 FUNDERS

ACCOUNTING FIRMS ($1,000,000 in 2002)
Andersen
Deloitte Touche Tohmatsu
Ernst & Young
KPMG
PricewaterhouseCoopers

UNDERWRITERS[1]
Allianz AG
Amvescap
Aventis
Banco Bradesco S/A
Banco Itaú S/A
Bank of America Corporation
BASF AG
Bayer AG
Bear, Stearns & Co., Inc.
BMW AG
BP p.l.c.
Citigroup Foundation
DaimlerChrysler AG
Deutsche Bank AG
E.ON AG
Fortis SA/NV
The Goldman Sachs Group, Inc.
HSBC Holdings plc
ING Group N.V.
J.P. Morgan Chase & Co.
Lehman Brothers Inc.
Merrill Lynch & Co., Inc.
Morgan Stanley & Co. Inc.
Nestlé SA
New York Stock Exchange, Inc.
L'Oréal
Pfizer Inc.
Prudential Financial, Inc.
Royal Philips Electronics N.V.
RWE AG
Shell International Limited
Siemens AG
State Farm Insurance Companies
Swiss Reinsurance Company
Telecom Italia S.p.A.
TIAA-CREF
Total Fina Elf S.A.
UBS AG

SUPPORTERS
Abbott Laboratories
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Aegon Group N.V.
Alcatel
American International Group, Inc.
Anglo American plc.
Asahi & Co.
Assicurazioni Generali S.p.A.
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AT&T
AXA
Barloworld Limited
BHP Finance Ltd.
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Cemex
CGNU plc
Chuo Aoyama Audit Corporation
Commerzbank AG
Companhia Brasileira de Distribução
Companhia Vale do Rio Doce
Conoco, Inc.
Credit Suisse Group[2]
Deutsche Telekom AG
Dresdner Bank AG
E.I. Du Pont de Nemours and Company[3]
Eli Lilly and Company[3]
Exxon Mobil Corporation
FIAT S.p.A.
Fujitsu Ltd.
GE Fund
General Motors Corporation
Georgia-Pacific Corporation
GlaxoSmithKline plc
Hitachi, Ltd.
Honda Motor Co., Ltd.
HypoVereinsbank (HVB Group) AG
Investec plc
ITOCHU Corporation
Ito-Yokado Co., Ltd.
Johnson & Johnson
Komatsu Ltd.
Legal & General Group plc
Lockheed Martin
Marubeni Corporation
Matsushita Electric Industrial Co., Ltd.
Mellon Financial Corporation
Merck & Co., Inc.
Mitsubishi Corporation
Mitsubishi Electric Corp.
Mitsubishi Heavy Industries, Ltd.
Mitsui & Co., Ltd.
Munich Re
NASD Regulation
NEC Corporation
Nippon Steel Corporation
Nippon Telegraph & Telephone Corporation
Nippon Unipac Holding
Nissan Motor Co., Ltd.
Nortel Networks Corporation
Petróleo Brasileiro S.A.
Pirelli S.p.A.
Prudential plc
Royal Ahold NV
Royal Bank of Canada
Shin Nihon & Co.
Shiseido Co., Ltd.
South African Breweries plc
State Street Corporation
Sumitomo Corporation
TD Bank Financial Group
Tohmatsu & Co.
Tokyo Electric Power Company
Toshiba Corporation
Toyota Motor Corporation
Unibanco
Unilever N.V.
Vodafone Group Services Limited

STOCK & SECURITIES EXCHANGE SUPPORTERS
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Hong Kong Exchanges & Clearing Ltd.
London Stock Exchange plc
NASDAQ Stock Market, Inc.[2]
Osaka Securities Exchange Co., Ltd.
Tokyo Stock Exchange
The Toronto Stock Exchange Inc.

CENTRAL BANKS & GOVERNMENT ENTITIES
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Banco de España
Banco de México
Bank Negara Malaysia
Bank of Canada
Bank of England
Bank of Greece
Bank of Japan
The Bank of Korea
Banque de France[2]
Board of Governors of the Federal Reserve System (US)
Central Bank of Ireland
Central Bank of the Russian Federation
Corporation of London
Czech National Bank
Deutsche Bundesbank
European Central Bank
Hong Kong Monetary Authority
Monetary Authority of Singapore
National Bank of Hungary
National Bank of Poland
National Bank of Slovakia
De Nederlandsche Bank
Oesterreichische Nationalbank
Office of the Superintendent of Financial Institutions Canada
Reserve Bank of Australia
Reserve Bank of India
Saudi Arabian Monetary Agency
South African Reserve Bank
Swiss National Bank

INTERNATIONAL ORGANISATIONS
Bank for International Settlements
International Bank for Reconstruction and Development
International Monetary Fund

ASSOCIATIONS
AIMR *(Association for Investment Management and Research)*
Financial Executives International
Japan Security Dealers Association
The Japanese Institute of Certified Public Accountants
The Life Insurance Association of Japan
The Marine & Fire Insurance Association of Japan, Inc.
Nippon Keidanren
The Security Analysts Association of Japan
The Tokyo Bankers Association, Inc.
Trust Companies Association of Japan

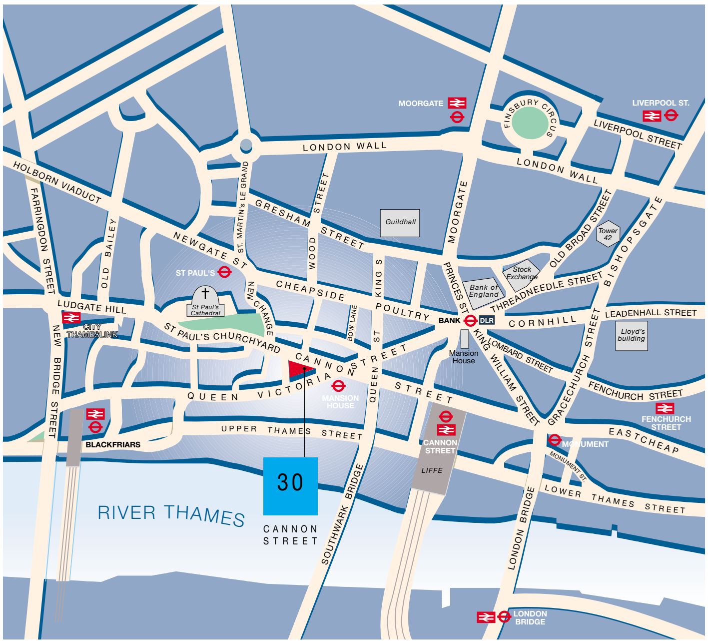
Notes:

[1] Underwriter companies provided five-year pledges ranging from $100,000 to $200,000 per year, in accordance with levels prescribed by a formula based on market capitalisation.

[2] Provided funding in 2002 for both 2001 and 2002 commitments.

[3] Its 2002 contribution arrived after the IASC Foundation's 2002 Financial Statements were closed.

LOCATION



The offices of the IASC Foundation and the International Accounting Standards Board are located on the first floor at 30 Cannon Street, London. The building occupies an island site between Cannon Street and Queen Victoria Street in the heart of the City of London.

How to find us

The nearest Underground stations are Mansion House (Circle and District lines) and St Paul's (Central line). The nearest railway stations are Blackfriars and Cannon Street.

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For further information about the IASB, copies of International Financial Reporting Standards, International Accounting Standards, Exposure Drafts and other publications, including details of IASB subscription services, please contact our Publications Department on **Tel: +44 (0)20 7332 2730** or **email: publications@iasb.org.uk**
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